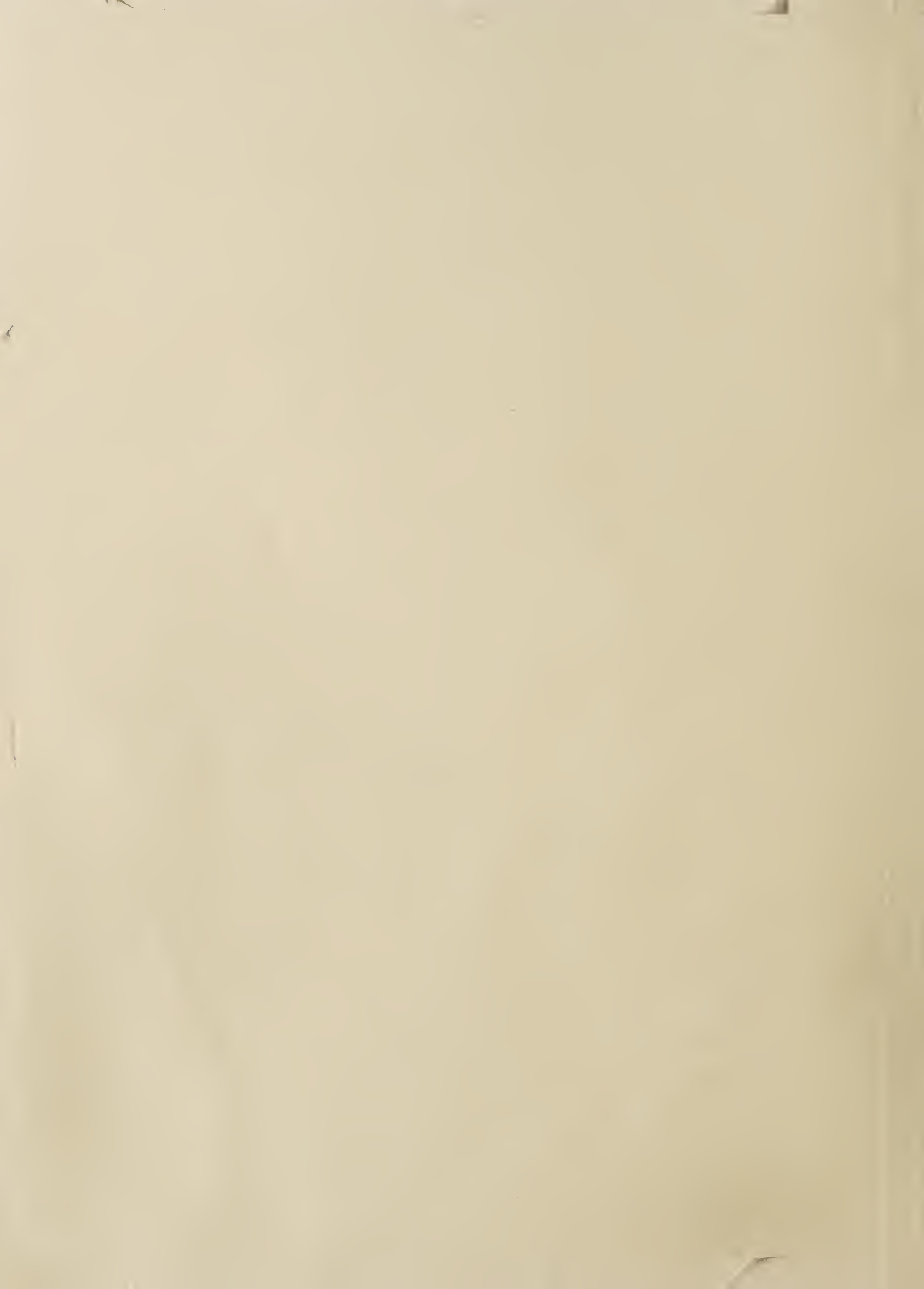


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LEGISLATIVE HISTORY

Public Law 88--79th Congress

Chapter 193--1st Session

S. 502

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DIGEST OF PUBLIC LAW 88

R. F. C. - SUBSIDIES CONTINUATION. Authorizes subsidy payments by R. F. C. after July 1, 1945, on obligations incurred before that date, and authorizes subsidy payments during the fiscal year 1946, as follows: Foreign materials or commodities (except rubber and its products), \$20,000,000; foreign rubber and its products, \$60,000,000; domestic meats, \$595,000,000; domestic butter, \$100,000,000; domestic flour, \$190,000,000; domestic petroleum and its products, \$290,000,000; and certain metals and other materials, \$128,000,000. Permits use of unused portion, not over 10%, of any of these allocations for making payments on any other enumerated item. Relieves slaughterers from having to repay extra subsidies, and provides for return of extra payments already repaid, unless the slaughterers are convicted of willful violation of contracts.

INDEX AND SUMMARY OF HISTORY ON S. 502

February 8, 1945 S. 502 introduced by Senator McFarland and Others and referred to Senate Committee on Banking and Currency.
H. R. 2072 (companion bill) introduced by Mr. Harless and referred to Committee on Banking and Currency.
H. R. 2077 (companion bill) introduced by Mr. Engle and referred to Committee on Banking and Currency.
H. R. 2079 (companion bill) introduced by Mr. Burdick and referred to Committee on Banking and Currency.

March 5, 1945 Hearings: Senate, S. 502.

March 8, 1945 H. R. 2539 (similar bill) introduced by Mr. Harless and referred to Committee on Banking and Currency.

Senate Committee on Banking and Currency reported S. 502 with amendments. Senate Report 86. Print of bill as reported.

March 12, 1945 H. R. 2591 introduced by Mr. White (similar bill) and referred to Committee on Banking and Currency.

March 15, 1945 S. 502 debated and passed Senate as reported.

March 16, 1945 S. 502 referred to House Committee on Banking and Currency. Print of bill as referred to Committee.

March 26, 1945 H. R. 2775 (similar bill) introduced by Mr. Spence and referred to House Committee on Banking and Currency. House Committee reported without amendment. H. Rept. 394.

Hearings: House, S. 502 and H. R. 2775.

March 27, 1945 House passed H. R. 2775 without amendment.

March 28, 1945 H. R. 2775 referred to Senate Committee on Banking and Currency. Print of bill as referred.

April 24, 1945 Hearings: House, S. 502.

May 2, 1945 House Banking and Currency Committee reported with amendment on S. 502. H. Rept. 506. Print of bill as reported.

May 18, 1945 Rules Committee submitted H. Res. 264 and H. Report 591 for consideration of S. 502.

May 21, 1945 House passed over on request.

May 28, 1945	Debated and passed House with amendment.
May 31, 1945	Senate requests a conference, and appointed Conferees.
June 4, 1945	House Conferees appointed.
June 12, 1945	House receives Conference Report. H. Rept. 732.
June 14, 1945	Both Houses agree to Conference Report.
June 23, 1945	Approved. Public Law 22.
	Statement of the President on signing the bill.

Sens. Lucas, Ill., and Cordon, Oreg., were appointed members of the Special Committee on Conservation of Wildlife Resources (p. 939).

12. LABOR. Received the National War Labor Board's 19th monthly report (p. 940).
13. EMPLOYMENT. Received a Calif. legislature resolution urging Congress to consider the return to the State of the administration and control assumed by the Federal Government as part of a Nation-wide employment program (pp. 940-1).
14. WATER UTILIZATION. Received a Calif. legislature resolution opposing a proposed treaty with Mexico relating to the waters of the Colorado and Tijuana Rivers and the Rio Grande (p. 941).
15. MILITARY SERVICE. Received a Calif. legislature and an American Legion of Delaware resolution favoring universal military training (pp. 942-4).
16. TAXATION. Sen. Wherry, Nebr., inserted a Phelps County (Nebr.) Petroleum Industries Committee resolution urging the repeal of Federal Gasoline and Auto Stamp taxes (pp. 943-4).
Received a Rhode Island legislature resolution urging the cancelation of income taxes owed the Government by members of the armed services previous to their induction (p. 943).
Sen. Tunnell, Del., inserted a Del. Feed Dealers' resolution favoring taxation of Government corporations and farmer cooperatives (p. 944).
Received a Williams County Farmers Union (N. Dak.) opposing the proposed 25% tax limitation on incomes (p. 946).
17. TRANSPORTATION. Sen. Wherry, Nebr., inserted a Republican City Community Farm Bureau (Republican City, Nebr.) resolution relating to the car "shortage" for transporting corn to markets (p. 944).
18. NOMINATION. Received a R. I. Legislature member's petition favoring the nomination of Henry A. Wallace to be Secretary of Commerce (p. 943).
19. ADJOURNED until Mon., Feb. 12 (p. 958).

BILLS INTRODUCED

20. MINERALS. S. 502, by Sen. McFarland, Ariz., (p. 947), H. R. 2072, by Rep. Harless, Ariz., H. R. 2077, by Rep. Engle, Calif., and H. R. 2079, by Rep. Murdock, Ariz., to permit the continuation of certain subsidy payments with respect to strategic minerals and metals and petroleum and petroleum products. To Banking and Currency Committee. (p. 1002.)
21. VETERANS. H. R. 2076, by Rep. Engle, Calif., to amend the Mustering-out Payment Act of 1944 so as to provide mustering-out payments for certain individuals discharged or relieved from active service in the armed forces to accept employment. To Military Affairs Committee. (p. 1002.)
22. RURAL ELECTRIFICATION. H. R. 2080, by Rep. Pace, Ga., to establish the REA as an independent Government agency. To Interstate and Foreign Commerce Committee. (p. 1002.)
23. WILDLIFE. H. R. 2081, by Rep. Simpson, Ill., to permit the use of live decoys in the taking of ducks. To Agriculture Committee. (p. 1002.)

24. A.A.A. TOBACCO. H. J. Res. 98, by Rep. Clements, Ky., and S. J. Res. 25, by Sen. Chandler, Ky., relating to the marketing of fire-cured and dark air-cured tobacco under the Act of 1938. To House Agriculture Committee and Senate Agriculture and Forestry Committee. (pp. 1002, 947.)
25. PARITY; FARM LABOR. S. 507, by Sen. Thomas, Okla., to provide for a new base period, and for considering increases in the cost of farm labor, in determining parity prices for agricultural commodities. To Agriculture and Forestry Committee. Printed in the Record. (p. 947.)
26. FARM LABOR; SELECTIVE SERVICE. S. Con. Res. 8, by Sen. Reed, Kans. (for himself and Sens. Tydings, Md., and Wherry, Nebr.), to establish a committee to determine who is responsible for the induction of farm workers and what effects the drafting of farm labor will have on agriculture (p. 951).
27. EXPENDITURES. S. Res. 73, by Sen. Aiken, Vt., authorizing the Committee on Expenditures in the Executive Departments to make a full and complete study and investigation in order to determine whether the GAO, under its present organization, can properly carry out the functions, as an agency of the Congress, of maintaining constant supervision over expenditures in the executive agencies of the Government. (p. 952.)

ITEMS IN APPENDIX

29. FARM LABOR; SELECTIVE SERVICE. Extension of remarks of Reps. Michener, Mich., and Reed, N. Y., criticizing induction of farm labor (pp. A545-6, A551).
30. CENSUS OF AGRICULTURE. Extension of remarks of Reps. Gavin, Pa., Cochran, Mo., and Taylor, N. Y., criticizing the census of agriculture appropriation measure (pp. A546, 547-8, 572).
31. BANKING AND CURRENCY. Sen. Hawkes, N. J., inserted Dr. E. W. Kemmerer's address, "The American Dollar and the Bretton Woods Plan" (pp. A554-7).
Rep. Sundstrom, N. J., inserted a New York Times editorial commending the American Bankers Association report on the Bretton Woods plan (pp. A572-3).
32. EDUCATION. Sen. Hill, Ala., inserted his New York Times Forum address in which he spoke favoring Federal aid for education (p. A562).
33. NATIONAL SERVICE. Sen. Morse, Oreg., and Rep. Morrison, La., inserted constituents' statements opposing the proposed national-service legislation (pp. A562-3, A566-7).
34. PUBLIC LANDS. Rep. Cravens, Ark., inserted an Arkansas Legislature resolution favoring "suitable legislation providing that grazing land, timber-growing lands, and agricultural lands now owned by the United States within the National forest areas in northern and western Arkansas be placed back on the market for sale, homestead, donation, or other methods of disposal to private ownership, with extended priorities given to World War veterans" (pp. A565-6).
35. INFLATION. Extension of remarks of Rep. Patman, Tex., criticizing Rep. Vinson's (Ga.) Houston Post editorial which was critical of the Government's stabilization and price-control programs (pp. A569-70).
36. NOMINATION. Rep. Guffey, Pa., inserted several articles favoring the nomination of Henry A. Wallace to be Secretary of Commerce (pp. A574-7).

to travel from one State to another; to the Committee on the Judiciary.

(Mr. HATCH (by request) introduced Senate bill 497, which was referred to the Committee on Public Lands and Surveys, and appears under a separate heading.)

By Mr. LANGER:

S. 498. A bill for the relief of W. C. Wornhoff and Josephine Wornhoff; to the Committee on Claims.

S. 499. A bill to amend the Internal Revenue Code so as to provide for certain exclusions from gross income for income-tax purposes in the case of persons who serve in the armed forces in time of war; to the Committee on Finance.

S. 500. To amend title II of the act entitled "An act to provide for the creation, organization, administration, and maintenance of a Naval Reserve and a Marine Corps Reserve," approved June 25, 1938 (52 Stat. 1175), in order to give credit for active duty performed by enlisted men subsequent to transfer to the Fleet Reserve, in computing their retainer or retired pay; to the Committee on Naval Affairs.

By Mr. GURNEY:

S. 501. A bill for the relief of the Catholic Chancery Office, Inc., to the Committee on Claims.

By Mr. MCFARLAND (for himself, Mr. MURDOCK, Mr. SCRUGHAM, Mr. THOMAS of Idaho, Mr. HAYDEN, Mr. THOMAS of Utah, Mr. MURRAY, Mr. JOHNSON of Colorado, and Mr. HATCH):

S. 502. A bill to permit the continuation of certain subsidy payments with respect to strategic metals and minerals and petroleum and petroleum products, to the Committee on Banking and Currency.

(Mr. ELLENDER introduced Senate bill 503, which was referred to the Committee on Agriculture and Forestry, and appears under a separate heading.)

By Mr. ELLENDER:

S. 504. A bill to quiet title and possession with respect to that certain unconfirmed and located private land claim known as claim of Daniel Boardman, C. No. 13, in Cosby and Skipwith's report of 1820, certificate 749, and being designated as section 44, township 7 South, range 3 East, Greensburg Land District, Livingston Parish, La., on the official plat of said township; to the Committee on Public Lands and Surveys.

By Mr. CAPPER:

S. 505. A bill to authorize the naturalization and the admission into the United States under a quota of Eastern Hemisphere Indians of India and descendants of Eastern Hemisphere Indians of India; to the Committee on Immigration.

By Mr. SHIPSTEAD:

S. 506. A bill for the relief of Stanley E. Hubbard; to the Committee on Claims.

(Mr. THOMAS of Oklahoma introduced Senate bill 507, which was referred to the Committee on Agriculture and Forestry, and appears under a separate heading.)

By Mr. CHANDLER:

S. J. Res. 25. Joint resolution relating to the marketing of fire-cured and dark air-cured tobacco under the Agricultural Adjustment Act of 1938, as amended; to the Committee on Agriculture and Forestry.

By Mr. TYDINGS:

S. J. Res. 26. Joint resolution requesting the President to declare November 10, 1945, a day for the observance of the creation of the United States Marine Corps; to the Committee on the Judiciary.

By Mr. BAILEY:

S. J. Res. 27. Joint resolution providing for recognition of the services rendered voluntarily and without compensation in the operation of the Selective Service System; to the Committee on Military Affairs.

By Mr. MCCARRAN:

S. J. Res. 28 (by request). A joint resolution providing that certain provisions of law

shall not be applicable to persons appointed to the Advisory Board under the War Mobilization and Reconversion Act of 1944; to the Committee on the Judiciary.

* PURCHASE OF PUBLIC LANDS FOR HOME AND OTHER SITES

Mr. HATCH. Mr. President, by request I introduce a bill for appropriate reference, and in connection with the bill I ask that a letter from the Secretary of the Interior may be printed in the RECORD.

The VICE PRESIDENT. Without objection, it is so ordered.

The bill (S. 497) to amend an act entitled "An act to provide for the purchase of public lands for home and other sites," approved June 1, 1938 (52 Stat. 609), introduced by Mr. HATCH (by request) was read twice by its title and referred to the Committee on Public Lands and Surveys.

The letter presented by Mr. HATCH in connection with the bill is as follows:

THE SECRETARY OF THE INTERIOR,
Washington D. C., January 4, 1945.
HON. HENRY A. WALLACE,
President of the Senate.

MY DEAR MR. VICE PRESIDENT: There is enclosed a draft of a proposed bill to amend an act entitled "An act to provide for the purchase of public lands for home and other sites," approved June 1, 1938 (52 Stat. 609).

The purpose of this proposed legislation is to amend the act of June 1, 1938 (52 Stat. 609, 43 U. S. C., sec. 682a), in order to remove the existing prohibition against the application of that act to the public domain in Alaska. In addition, it would sanction the lease to or the purchase by the employees of this Department, stationed in Alaska, of small tracts of land in that Territory for personal use only. It would also correct a typographical error in the present law.

In its present form, the act of June 1, 1938, supra, has been a satisfactory vehicle for making available in the United States small tracts of land not in excess of 5 acres for home, camp, convalescent, recreational, and business sites. Until recently there would seem to have been no need for the extension of this legislation to the Territory of Alaska. In view, however, of the very possible changed conditions in the Territory after the termination of the present conflict, it may be that a small-tract program will fill an essential need for making land in Alaska available to the expected influx of people, especially veterans of the present conflict. Improved transportation methods may open wider travel horizons so that people in the United States may wish to acquire vacation homes or camps in the Territory. Furthermore, as the population of Alaska increases, there will be many people who will desire homes with small gardens in areas suburban to existing centers of population, but who will not need to acquire large tracts of land under the existing homestead or other public-land laws. It would seem advisable, therefore, to extend the operation of this beneficial legislation to the Territory of Alaska to anticipate these demands.

Another purpose of the proposed amendment is to permit employees of this Department, stationed in Alaska, to acquire a home site or camp site under this act, notwithstanding their connection with this Department. It is a sound policy not to allow employees of this Department to acquire an interest in resources and lands administered by it. I can see no objection, however, to allowing a Government employee in Alaska, where there is little privately owned land except in the few cities and towns, to acquire a small tract of land of a few acres for his own use on the same terms as the general public.

I have been advised by the Bureau of the Budget that there is no objection to the presentation of this proposed legislation to the Congress.

Sincerely yours,

HAROLD L. ICKES,
Secretary of the Interior.

COST OF FARM LABOR—PARITY PRICES FOR AGRICULTURAL COMMODITIES

Mr. THOMAS of Oklahoma. Mr. President, I introduce a bill for appropriate reference. The bill relates to the present farm parity formula. The bill, if enacted, would change the present farm parity formula in two particulars. The first provision would modernize the base period in that it would change the base period from 1909 to 1914 to the years 1919 to 1929, the most recent period in farming when the country has had an era of, I might say, natural activity. Since 1929 we have had depression and war, and the farming occupation has been managed and controlled by legislation so the era has not been a natural one.

The second provision proposes to direct the Department of Agriculture to consider farm labor in making up the farm parity formula.

The third provision of the bill is that it shall not become effective until 3 months after the termination of the war.

Mr. President, the bill is introduced in order that we may have time to study the whole problem, and I hope we may work out a satisfactory amendment and have the proposed legislation passed by the Congress and ready for operation when the war is over.

I ask that the bill be printed in the RECORD in full at this point in connection with my remarks.

There being no objection, the bill (S. 507) to provide for a new base period, and for considering increases in the cost of farm labor, in determining parity prices for agricultural commodities, introduced by Mr. THOMAS of Oklahoma, was read twice by its title, referred to the Committee on Agriculture and Forestry, and ordered to be printed in the RECORD, as follows:

Be it enacted, etc., That for the purpose of determining and publishing parity prices as provided by law in the case of agricultural commodities, the base period shall be the period July 1, 1919, to June 30, 1929 (base period for tobacco), in lieu of the period heretofore fixed by law; and the parity prices determined and published for agricultural commodities shall also reflect the cost of all farm labor (on the basis of the national average and including hired workers, farm operators, and members of families of farm operators engaged in work on the farm, computed for all such labor on the basis of wage rates for hired farm labor), as contrasted with the cost of all farm labor during the base period: *Provided*, That this act shall not take effect until 90 days after the termination of the war between the Allied and Axis Powers.

Mr. THOMAS of Oklahoma. Mr. President, I also ask unanimous consent to have printed in the RECORD at this point as a part of my remarks a statement with respect to the Future Farmers of America.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

THE FUTURE FARMERS OF AMERICA

During the present week the national officers of the Future Farmers of America have visited Washington. The Future Farmers of America is the national organization of farm boys studying vocational agriculture in our public high schools. This agricultural-education program administered by the Agricultural Education Service of the United States Office of Education is made available through the National Vocational Education Acts. There are at the present time more than 200,000 active members in 6,500 local chapters in the continental United States, the Territory of Hawaii, and the island of Puerto Rico. The organization, which these boys serve as officers, has rendered outstanding service to our country during these war years. By working together, members of the F. F. A. collected 62,000,000 pounds of scrap, purchased more than \$8,000,000 worth of War bonds, produced tremendous quantities of food for victory, repaired 245,000 farm machines in the school-farm shops, processed more than 2,000,000 cans of food in food-conservation centers, and performed other essential wartime activities. The organization is proud of the fact that approximately 150,000 members are serving in the armed forces of their country.

The major objectives of the Future Farmers of America are to develop agricultural leadership, cooperation, citizenship, improved farming, and patriotism. Members of the organization are striving to live up to their challenging motto, "Learning to do. Doing to learn. Earning to live. Living to serve."

I am pleased that the national president, Oliver H. Kinzie, is from my State of Oklahoma. The national first vice president is Sigvald J. Sandberg, of Minnesota. The national second vice president is David B. Jameson, of Pennsylvania. The national third vice president is Merrill J. Hallam, of Utah. The national fourth vice president is Tom Vaughan, of Tennessee. The national student secretary is George C. Fry, of Maryland.

Oliver H. Kinzie was elected national president at the national convention of the Future Farmers of America at Kansas City, Mo., last October. His record of achievement is typical of that of many of the other national officers present and the entire membership of the Future Farmers of America. He studied vocational agriculture in the Cushing, Okla., High School for 4 years. During his membership in the Future Farmers of America he has served in many positions of leadership in the organization. These include secretary, vice president, and president of the Cushing, Okla., chapter and vice president of the Oklahoma State Future Farmers of America Association prior to his election as national president. Oliver is active in church work, public speaking, and leadership in his home community.

During his 4 years in vocational agriculture, Oliver developed an outstanding supervised-farming program. He has total assets of more than \$5,000 earned principally from his supervised-farming program. From a small beginning Oliver has grown into the business of dairy farming. He has 23 head of registered Jersey cattle, 26 head of registered Duroc hogs, and 2 beef cattle. Last year he produced 56 acres of oats and 20 acres of grain, sorghums. He holds a substantial partnership interest in a complete outfit of farming equipment.

Boys like these, who are studying to become scientific farmers and leaders of rural America, are helping to build a new and better day for farming and rural life.

HOUSE BILL REFERRED

The bill (H. R. 1429) to permit the Administrator, War Shipping Administration, and the United States Maritime

Commission, during the national emergency, to pay the tax imposed under section 1410 of the Internal Revenue Code without regard to the \$3,000 limitation in section 1426 (a) (1) of the Internal Revenue Code, was read twice by its title and referred to the Committee on Finance.

DEFERMENT OF FARM WORKERS—AMENDMENTS

Mr. TYDINGS. Mr. President, I send to the desk two amendments relating to the deferment of farm labor and ask unanimous consent that I may address myself briefly to the subject matter.

The VICE PRESIDENT. Is there objection to the request of the Senator from Maryland? The Chair hears none, and the Senator from Maryland may proceed.

Mr. TYDINGS. Mr. President, a great many of us have recently been concerned over the action of the Selective Service System in dealing with an act of Congress having to do with the deferment of essential farm workers for whom there were no replacements to carry on farm work. That act, known as the Tydings amendment, was passed by Congress formally in 1942, as I recall. It was passed unanimously by the Senate and by the House of Representatives, and was signed by the President.

The act itself is a very brief statement of policy on the part of the Congress, and I should like to read it so that every Senator may be familiar with it for the purpose of this discussion. The act reads:

Every registrant found by a selective service local board, subject to appeal in accordance with section 10 (a) (2) of the Selective Training and Service Act of 1940, as amended, to be necessary to and regularly engaged in an agricultural occupation or endeavor essential to the war effort, shall be deferred from training and service in the land and naval forces so long as he remains so engaged and until such time as a satisfactory replacement can be obtained.

Mr. President, that means, in the plainest language that could be used, that if a man is regularly employed in an agricultural endeavor essential to the war effort he cannot be drafted until a replacement is found for him. That that was the intent was ably brought out by some 20 or 30 Senators who took part in the debate and who favored the amendment, and I do not believe clearer language could be employed to convey such an intent. However, I am shocked to learn that that act of Congress is to be set aside by executive edict—not by the President, but by one in charge of one of the departments.

Mr. REED. Mr. President, will the Senator yield?

Mr. TYDINGS. If the Senator will allow me first to read the order, then I will yield to him.

Mr. REED. I was going to suggest to the Senator from Maryland that before he reads the printed statement issued by the Selective Service System I should like to call his attention to a directive issued by General Hershey, of the Selective Service, on January 3 preceding the document which the Senator has in his hand.

Mr. TYDINGS. I shall be delighted to have the Senator do so.

Mr. REED. On January 3 of this year General Hershey addressed to all State directors a letter, the concluding language of which is as follows:

In considering the classification or retention of such registrants in class II-C, local boards will consider the President's finding—

I call the attention of the Senator from Maryland to that particularly—will consider the President's finding that—

Now I read what General Hershey quotes as the President's finding—

further deferment of all men now deferred in the 18 through 25 age group because of agricultural occupation is not as essential to the best interest of our war effort as is the urgent and more essential need of the Army and Navy for young men.

Does the Senator from Maryland find in the language of the Tydings amendment anywhere a direction or authority of permission or requirement of the local draft board to give consideration to the need of the Army for men?

Mr. TYDINGS. The Senator from Kansas and all other Senators know that the head of the Selective Service System cannot do anything except in accordance with the acts of Congress. He cannot on his own motion draft anybody for the military service. He can only draft those within age limits and restrictions fixed by the Congress. He has no more authority to draft a man for the military service than I have, unless he is given the authority by law. Therefore my answer to the Senator is that what he has just read, contravening as it does the act of Congress, is worthless, and the fact that a Government official occupies a high position does not make his action any more valid than if he were a mere justice of the peace.

I should like to say for General Hershey—and I have had numerous dealings with him—that I have found him to be a very able man, who, until this recent action, it seemed to me was trying to stay within the acts of Congress and to perform at the same time a very arduous and difficult task, namely to supply men for our armed forces. That is the reason I feel all the more shocked that in this sweeping order, a part of which the Senator from Kansas read, and the remainder of which I shall shortly read, the whole amendment known as the Tydings amendment has been completely brushed aside insofar as what General Hershey said is concerned. Actually the Tydings amendment is just as valid and effective today as it was the day it was signed. No man coming within the provisions of the Tydings amendment can be drafted for any service until Congress changes the policy it adopted at the time it enacted that amendment, and the Tydings amendment provides that if a man is regularly employed in an essential agricultural endeavor he cannot be taken for any other service unless a replacement for him shall first be found.

Mr. President, following what the Senator from Kansas just read, I wish to say that I hold in my hand a pamphlet known as Selective Service, on the second page

farmer, and I still maintain an active relationship both nationally and locally.

A year ago I remarked to this body concerning the outstanding service that had been rendered by the Boy Scouts of America in Food for Freedom. Recently I participated in a conference here in Washington, between officials of the Boy Scouts of America and representatives of Government agencies, to develop further Scouting relationships.

To me, one of the significant things about this occasion was the fact that these representatives of the Boy Scouts of America came to Washington, not to secure something for themselves, but to offer their service, to develop ways in which service could be most effectively rendered.

We reviewed briefly some of the extraordinary things that have been done by the Boy Scouts of America to help speed the day of victory. Some of the Government administrative officials reported what Scouts have accomplished. Reference was made to the 120,000 tons of waste paper collected during 2 months alone to help prevent a serious crisis. The War Food Administration reported that Scouts had collected almost the entire national goal of milkweed pods, the floss to be used for making 1,000,000 life jackets. The Director of the Field Service, War Finance Staff of the Treasury Department, described the Scouts' cooperation in the Fourth, Fifth, and Sixth War Loans, in which it has been estimated that they were responsible for the sale of some \$8,000,000,000 worth of War bonds and stamps. The Director of the Domestic Branch of the Office of War Information reported that the Boy Scouts distributed more than 103,000,000,000 pieces of Government literature.

Naturally, I was extremely interested in the report from the Extension Service of the Department of Agriculture, which stated that the contribution of the Boy Scouts during 1944 had been a real factor in feeding not only this Nation, but our Allies. A conservative estimate would show that 184,000 Boy Scouts had their own victory gardens, and that 126,000 worked on farms to help solve the problem of farm labor.

Mr. Albert Goss, master of our National Grange, stated:

I am a strong believer in self-help in youth movements. In these days when everybody is demanding special privileges and Government help, it is heartening to find such wholesome movements as scouting holding the line for building character interests, and the kind of patriotism that means sacrifice, if necessary, but always loyal service. I wish every boy in America could have such training.

Several of the representatives of Government agencies expressed a bit of surprise to find how much Scouts are doing for other agencies. But to those of us who are familiar with the Scout program, the surprise was not so great, because we are well aware of the value of organized boyhood. It is fundamental to a Scout that he should do his duty to his country. Boy Scouts want to do everything possible to help the country, and these various Scout services which the boys have carried on so effectively during the war

years have also covered the period of the organization's greatest growth. Its membership is nearly 2,000,000. We may look forward confidently to greater service from the Boy Scouts in 1945.

Perhaps most of us are inclined to think of this agency as one which does something for boys. The record of their war service shows that it is also an agency which makes it possible for boys to do things for their country. As a result of this meeting, certain definite areas of service were developed, one of which will be soon inaugurated, another campaign for scrap paper which is sponsored by Gen. Dwight D. Eisenhower and which gets under way officially March 1.

It is estimated on the basis of membership records that one man in every four of our armed forces has had some Scout training. They are helping to win the war on our battlefronts. Here at home, their younger brothers, nearly 2,000,000 of them, are also helping to win the war on the home front by practical and effective service.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted to Mr. KEEFE (at the request of Mr. MURRAY of Wisconsin) for the balance of the week, on account of illness.

BILL PRESENTED TO THE PRESIDENT

Mr. ROGERS of New York, from the Committee on Enrolled Bills, reported that that committee did on this day present to the President, for his approval, a bill of the House of the following title:

H. R. 1427. An act relating to the compensation of telephone operators on the United States Capitol telephone exchange.

ADJOURNMENT

Mr. MURDOCK. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 5 o'clock and 28 minutes p. m.) the House adjourned until tomorrow, Friday, February 9, 1945, at 12 o'clock noon.

COMMITTEE HEARINGS

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE

(Friday, February 9, 1945)

There will be a meeting of the Committee on Interstate and Foreign Commerce at 10 a. m., Friday, February 9, 1945, to resume hearings on H. R. 1362, railroad retirement bill.

COMMITTEE ON INVALID PENSIONS

(Tuesday, February 13, 1945)

There will be a meeting of the Committee on Invalid Pensions at 11 a. m., Tuesday, February 13, 1945, for organization purposes.

COMMITTEE ON PUBLIC BUILDINGS AND GROUNDS

(Tuesday, February 13, 1945)

The Committee on Public Buildings and Grounds will hold a meeting on Tuesday, February 13, 1945, at 10:30 a. m., on House Joint Resolution 59.

COMMITTEE ON THE JUDICIARY

(Wednesday, February 14, 1945)

On Wednesday, February 14, 1945, at 10 a. m., there will be a hearing before

Subcommittee No. 1 of the Committee on the Judiciary on the joint resolution (H. J. Res. 62) proposing an amendment to the Constitution of the United States empowering Congress to grant representation in the Congress and among the electors of President and Vice President to the people of the District of Columbia. The hearing will be held in room 352 (caucus room), Old House Office Building.

(Wednesday, February 14, 1945)

Subcommittee No. 3 of the Committee on the Judiciary will hold a hearing beginning at 10:30 a. m., Wednesday, February 14, 1945, on the bill (H. R. 97) to amend the act entitled "An act to supplement existing laws against unlawful restraints and monopolies, and for other purposes" (with respect to certain patent matters). The hearing will be held in the Judiciary Committee room, 346 House Office Building.

COMMITTEE ON THE MERCHANT MARINE AND FISHERIES

(Thursday, February 15, 1945)

The Committee on the Merchant Marine and Fisheries will hold a public hearing Thursday, February 15, 1945, at 10 a. m., on H. R. 1425, to provide for the sale of certain Government-owned merchant vessels, and for other purposes.

EXECUTIVE COMMUNICATIONS, ETC.

199. Under clause 2 of rule XXIV, a letter from the Acting Secretary of the Interior transmitting a draft of a proposed bill, to authorize the Secretary of the Interior to contract with the Middle Rio Grande Conservancy District of New Mexico for the payment of operation and maintenance charges on certain Pueblo Indian lands, was taken from the Speaker's table and referred to the Committee on Indian Affairs.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. BURCH: Committee on the Post Office and Post Roads. H. R. 304. A bill to amend the act authorizing postmasters in Alaska to administer oaths and affirmations; without amendment (Rept. No. 61). Referred to the House Calendar.

Mr. MCKENZIE: Committee on the Post Offices and Post Roads. H. R. 744. A bill authorizing payments of rewards to postal employees for inventions; without amendment (Rept. No. 62). Referred to the Committee of the Whole House on the state of the Union.

Mr. MANSFIELD of Texas: Committee on Rivers and Harbors. S. 35. An act authorizing the construction, repair, and preservation of certain public works on rivers and harbors, and for other purposes; without amendment (Rept. No. 63). Referred to the Committee of the Whole House on the state of the Union.

Mr. ELLIOTT: Joint Committee on the Disposition of Executive Papers. House Report No. 64. Report on the disposition of certain papers of sundry executive departments. Ordered to be printed.

Mr. WEAVER: Committee on the Judiciary. House Joint Resolution 15. Joint resolution

authorizing the President of the United States of America to proclaim October 11, 1945, General Pulaski's Memorial Day for the observance and commemoration of the death of Brig. Gen. Casimir Pulaski; without amendment (Rept. No. 65). Referred to the House Calendar.

Mr. MURRAY of Tennessee: Committee on the Post Office and Post Roads. H. R. 697. A bill relating to clerical assistance at post offices, branches, or stations serving military and naval personnel, and for other purposes; without amendment (Rept. No. 66). Referred to the Committee of the Whole House on the state of the Union.

Mr. WALTER: Committee on the Judiciary. H. R. 1973. A bill to express the intent of the Congress with reference to the regulation of the business of insurance; with amendment (Rept. No. 68). Referred to the House Calendar.

REPORTS OF COMMITTEES ON PRIVATE BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. PETERSON of Florida: Committee on the Public Lands. H. R. 1719. A bill to confirm the claim of Charles Gaudet; without amendment (Rept. No. 67). Referred to the Committee of the Whole House.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. DE LACY:

H. R. 2066. A bill authorizing the Secretary of the Interior to locate, establish, construct, equip, and operate a hospital for the insane of Alaska, and for other purposes; to the Committee on the Territories.

By Mr. MARCANTONIO:

H. R. 2067. A bill to authorize the naturalization of Filipinos who are permanent residents of the United States; to the Committee on Immigration and Naturalization.

By Mr. McGEHEE:

H. R. 2068. A bill to provide for the settlement of claims of military personnel and civilian employees of the War Department or of the Army for damage to or loss, destruction, capture, or abandonment of personal property occurring incident to their service; to the Committee on Claims.

By Mr. O'KONSKI:

H. R. 2069. A bill relating to the discharge of members of the War Training Service who were assigned to cadet schools or glider schools and who did not qualify for flying service through physical defects or to other causes; to the Committee on Military Affairs.

H. R. 2070. A bill relating to the discharge status of members and former members of the Army Air Forces Enlisted Reserve Corps who have participated in the Civil Aeronautics Administration War Training Service program; to the Committee on Military Affairs.

By Mr. BURCH:

H. R. 2071. A bill to reclassify the salaries

of postmasters, officers, and employees of the Postal Service, to establish uniform procedures for computing compensation, and for other purposes; to the Committee on the Post Office and Post Roads.

By Mr. HARLESS of Arizona:

H. R. 2072. A bill to permit the continuation of certain subsidy payments with respect to strategic minerals and metals and petroleum and petroleum products; to the Committee on Banking and Currency.

By Mr. LUDLOW:

H. R. 2073. A bill to extend to the veterans of the Mexican border service of 1916 and 1917 and their widows all the provisions, privileges, rights, and benefits of laws enacted for the benefit of veterans of the Spanish-American War; to the Committee on Invalid Pensions.

By Mr. MERROW:

H. R. 2074. A bill to provide pension at the rate of \$50 per month for veterans of World War No. 1 and all campaigns and expeditions engaged in prior to December 7, 1941, for which a campaign medal was given, and who have reached the age of 60 years or more; to the Committee on World War Veterans' Legislation.

By Mr. REECE of Tennessee:

H. R. 2075. A bill to amend the World War Veterans' Act of June 7, 1924, section 202, paragraph 7, and all the amendments subsequent thereto; to the Committee on World War Veterans' Legislation.

By Mr. ENGLE of California:

H. R. 2076. A bill to amend the Mustering-out Payment Act of 1944 so as to provide mustering-out payments for certain individuals discharged or relieved from active service in the armed forces to accept employment; to the Committee on Military Affairs.

H. R. 2077. A bill to permit the continuation of certain subsidy payments with respect to strategic minerals and metals and petroleum and petroleum products; to the Committee on Banking and Currency.

By Mr. GERLACH:

H. R. 2078. A bill extending the benefits of the Emergency Officers' Retirement Act of May 24, 1928, to provisional, probationary, or temporary officers of the Army, Navy, Marine Corps, and Coast Guard who served during the First World War; to the Committee on Military Affairs.

By Mr. MURDOCK:

H. R. 2079. A bill to permit the continuation of certain subsidy payments with respect to strategic minerals and metals and petroleum and petroleum products; to the Committee on Banking and Currency.

By Mr. FACE:

H. R. 2080. A bill to establish the Rural Electrification Administration as an independent agency of the Government; to the Committee on Interstate and Foreign Commerce.

By Mr. SIMPSON of Illinois:

H. R. 2081. A bill to permit the use of live decoys in the taking of ducks; to the Committee on Agriculture.

By Mr. BRYSON:

H. R. 2082. A bill to reduce absenteeism, conserve manpower, and speed production of materials necessary for the winning of the war; to the Committee on the Judiciary.

By Mr. EBERHARTER:

H. J. Res. 97. Joint resolution giving official recognition to the pledge of allegiance to the flag of the United States; to the Committee on the Judiciary.

By Mr. CLEMENTS:

H. J. Res. 98. Joint resolution relating to the marketing of fire-cured and dark air-cured tobacco under the Agricultural Adjustment Act of 1938, as amended; to the Committee on Agriculture.

By Mr. O'KONSKI:

H. Res. 124. Resolution to create a special committee of the House of Representatives to investigate the production of aircraft and accidents resulting therefrom; to the Committee on Rules.

By Mr. SUMNERS of Texas:

H. Res. 125. Resolution authorizing the Committee on the Judiciary to investigate the official conduct of Albert W. Johnson and Albert L. Watson, district judges of the United States District Court for the Middle District of Pennsylvania; to the Committee on the Judiciary.

H. Res. 126. Resolution to provide for expenses of investigation authorized by House Resolution 125; to the Committee on Accounts.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. AUGUST H. ANDRESEN:

H. R. 2083. A bill for the relief of W. C. Liddell; to the Committee on Claims.

H. R. 2084. A bill for the relief of Emil Kraske; to the Committee on Claims.

By Mr. BARRETT of Pennsylvania:

H. R. 2085. A bill to authorize the payment of adjusted compensation benefits to Sarah Ann Grugan; to the Committee on War Claims.

By Mr. DE LACY:

H. R. 2086. A bill for the relief of Presley Hollday, quartermaster sergeant, Quartermaster Corps, on the retired list, and for other purposes; to the Committee on Military Affairs.

By Mr. EARTHMAN:

H. R. 2087. A bill for the relief of Mrs. Mary H. Overall and Thomas I. Baker; to the Committee on Claims.

By Mr. LANE:

H. R. 2088. A bill for the relief of George H. Kibbey; to the Committee on Claims.

H. R. 2089. A bill for the relief of Edwin F. Danks; to the Committee on Claims.

By Mr. LUDLOW:

H. R. 2090. A bill for the relief of Sam J. Hash; to the Committee on Claims.

By Mr. McCORMACK:

H. R. 2091. A bill for the relief of Joseph E. Bennett; to the Committee on Claims.

By Mr. ROGERS of Florida:

H. R. 2092. A bill for the relief of the Growers Fertilizer Co., a Florida corporation; to the Committee on Claims.

By Mr. SIMPSON of Illinois:

H. R. 2093. A bill for the relief of J. P. Kerr and Robert P. Kerr; to the Committee on Claims.

79TH CONGRESS
1ST SESSION

S. 502

IN THE SENATE OF THE UNITED STATES

FEBRUARY 8, 1945

Mr. McFARLAND (for himself, Mr. MURDOCK, Mr. SCRUGHAM, Mr. HAYDEN, Mr. MURRAY, Mr. HATCH, Mr. THOMAS of Idaho, Mr. THOMAS of Utah, and Mr. JOHNSON of Colorado) introduced the following bill; which was read twice and referred to the Committee on Banking and Currency

A BILL

To permit the continuation of certain subsidy payments with respect to strategic metals and minerals and petroleum and petroleum products.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That the last paragraph of section 2 (e) of the Emergency
4 Price Control Act of 1942, as amended by the Stabilization
5 Extension Act of 1944, shall not apply to the operations of
6 the Reconstruction Finance Corporation, or any corporation
7 created by it pursuant to section 5d (3) of the Reconstrec-
8 tion Finance Corporation Act, as amended, with respect to
9 strategic and critical minerals and metals, or petroleum and

1 1946. With respect to such operations during the fiscal year
2 ending June 30, 1946, such corporations may pay subsidies
3 and incur losses not in excess of \$450,000,000 in the
4 aggregate.

79TH CONGRESS
1ST SESSION

H. R. 2072

A BILL

To permit the continuation of certain subsidy
payments with respect to strategic minerals
and metals and petroleum and petroleum
products.

By Mr. HARLESS of Arizona

FEBRUARY 8, 1945

Referred to the Committee on Banking and Currency

79TH CONGRESS
1ST SESSION

H. R. 2077

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 8, 1945

Mr. ENGLE of California introduced the following bill; which was referred to the Committee on Banking and Currency

A BILL

To permit the continuation of certain subsidy payments with respect to strategic minerals and metals and petroleum and petroleum products.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That the last paragraph of section 2 (e) of the Emergency
4 Price Control Act of 1942, as amended by the Stabilization
5 Extension Act of 1944, shall not apply to the operations of
6 the Reconstruction Finance Corporation, or any corporation
7 created by it pursuant to section 5d (3) of the Reconstruc-
8 tion Finance Corporation Act, as amended, with respect
9 to strategic and critical minerals and metals, or petroleum
10 and petroleum products, during the fiscal year ending June

1 30, 1946. With respect to such operations during the fiscal
2 year ending June 30, 1946, such corporations may pay sub-
3 sidies and incur losses not in excess of \$450,000,000 in the
4 aggregate.

79TH CONGRESS
1ST Session

H. R. 2077

A BILL

To permit the continuation of certain subsidy
payments with respect to strategic minerals
and metals and petroleum and petroleum
products.

By Mr. ENGLE of California

FEBRUARY 8, 1945

Referred to the Committee on Banking and Currency

79TH CONGRESS
1ST SESSION

H. R. 2079

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 8, 1945

Mr. MURDOCK introduced the following bill; which was referred to the Committee on Banking and Currency

A BILL

To permit the continuation of certain subsidy payments with respect to strategic minerals and metals and petroleum and petroleum products.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That the last paragraph of section 2 (e) of the Emergency
4 Price Control Act of 1942, as amended by the Stabilization
5 Extension Act of 1944, shall not apply to the operations of
6 the Reconstruction Finance Corporation, or any corporation
7 created by it pursuant to section 5d (3) of the Reconstruc-
8 tion Finance Corporation Act, as amended, with respect to
9 strategic and critical minerals and metals, or petroleum and
10 petroleum products, during the fiscal year ending June 30,

A BILL

To permit the continuation of certain subsidy payments with respect to strategic minerals and metals and petroleum and petroleum products.

By Mr. MURDOCK

FEBRUARY 8, 1945

Referred to the Committee on Banking and Currency

1 1946. With respect to such operations during the fiscal
2 year ending June 30, 1946, such corporations may pay
3 subsidies and incur losses not in excess of \$450,000,000 in
4 the aggregate.

TO CONTINUE SUBSIDY PAYMENTS ON STRATEGIC
METALS AND MINERALS AND PETROLEUM
AND PETROLEUM PRODUCTS

HEARING

BEFORE A
SUBCOMMITTEE OF THE
COMMITTEE ON BANKING AND CURRENCY
UNITED STATES SENATE
SEVENTY-NINTH CONGRESS

FIRST SESSION

ON

S. 502

A BILL TO PERMIT THE CONTINUATION OF CERTAIN
SUBSIDY PAYMENTS WITH RESPECT TO STRA-
TEGIC METALS AND MINERALS AND
PETROLEUM AND PETROLEUM
PRODUCTS

MARCH 5, 1945

Printed for the use of the Committee on Banking and Currency



TO CONTINUE SUBSIDY PAYMENTS ON STRATEGIC METALS AND MINERALS AND PETROLEUM AND PETROLEUM PRODUCTS

MONDAY, MARCH 5, 1945

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE
ON BANKING AND CURRENCY,
Washington, D. C.

The subcommittee met at 10:30 a. m., pursuant to call, in room 301, Senate Office Building, Senator Abe Murdock (chairman of the subcommittee) presiding.

Present: Senators Murdock (chairman of the subcommittee), McFarland, Taylor, and Taft.

Also present: Senator Barkley.

Senator MURDOCK. The committee will come to order, please. The Subcommittee of Banking and Currency considering S. 502 consists of Senator Murdock, as chairman, Senators McFarland, Taylor, Taft, and Thomas of Idaho.

Our purpose this morning is to give consideration to S. 502, which has been introduced by Senator McFarland, for himself, and also for Mr. Murdock, Mr. Scrugham, Mr. Hayden, Mr. Murray, Mr. Hatch, Mr. Thomas of Idaho, Mr. Thomas of Utah, and Mr. Johnson of Colorado.

(The bill under consideration, S. 502, is as follows:)

[S. 502, 79th Cong., 1st sess.]

A BILL To permit the continuation of certain subsidy payments with respect to strategic metals and minerals and petroleum and petroleum products

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the last paragraph of section 2 (e) of the Emergency Price Control Act of 1942, as amended by the Stabilization Extension Act of 1944, shall not apply to the operations of the Reconstruction Finance Corporation, or any corporation created by it pursuant to section 5d (3) of the Reconstruction Finance Corporation Act, as amended, with respect to strategic and critical minerals and metals, or petroleum and petroleum products, during the fiscal year ending June 30, 1946. With respect to such operations during the fiscal year ending June 30, 1906, such corporations may pay subsidies and incur losses not in excess of \$450,000,000 in the aggregate.

Senator MURDOCK. On this bill, certain letters have been written to the committee by different agencies of the Government, one under date of February 9, 1945, addressed to Hon. Robert F. Wagner, chairman, Senate Banking and Currency Committee, United States Senate, Washington, D. C., signed by Jesse H. Jones. Without objection, that will be placed upon the record at this time. [Reading:]

FEBRUARY 9, 1945.

DEAR MR. CHAIRMAN: My attention has been called to the provisions of section 4 of [S. 298, as amended by the Senate Banking and Currency Com-

mittee on February 1, 1945, and as passed by the Senate on February 5, 1945, relating to the last paragraph of section 2 (c) of the Emergency Price Control Act of 1942, as amended by the Stabilization Extension Act of 1944, as applied to the operations of the Commodity Credit Corporation for the fiscal year ending June 30, 1946.

Section 2 (e) of the Emergency Price Control Act, as amended, authorized corporations created pursuant to section 5d of the Reconstruction Finance Corporation Act, as amended, subject to certain conditions, including the approval of the President, to pay subsidies to maintain or increase the production of materials defined by the President as critical or strategic. The term "subsidy" has never been clearly defined. Section 2 (e) of the Emergency Price Control Act of 1942, as amended by the Stabilization Act of 1944, provides in part as follows:

"After June 30, 1945, neither the Price Administrator nor the Reconstruction Finance Corporation nor any other Government corporation shall make any subsidy payments, or buy any commodities for the purpose of selling them at a loss and thereby subsidizing directly or indirectly the sale of commodities, unless the money required for such subsidies, or sale at a loss, has been appropriated by Congress for such purpose; and appropriations for such purpose are hereby authorized to be made."

I am calling your attention to the above to indicate the need for legislation if the Congress desires a continuation after June 30, 1945, of the subsidies which are being paid by Reconstruction Finance Corporation through some of its subsidiaries.

An immediate problem arises in connection with the flour subsidy. In order to permit the millers to continue their usual practice of making forward sales of flour, this subsidy was set up on a basis which entitles a substantial number of millers to collect subsidy payments for varying periods up to 120 days after termination of the program. Thus, in the absence of legislation, it will be impossible for the Corporation to carry out its commitments fully except by immediate termination of the program. Since such a termination at this time appears unwise, the Corporation proposes instead to notify the millers that payments of the subsidy on forward sales of flour ground after June 30, 1945, can be made only from such funds as may hereafter be made available by the Congress for this purpose.

The Reconstruction Finance Corporation, through the subsidiary corporations created by it pursuant to section 5d (3) of the Reconstruction Finance Corporation Act, as amended, makes direct payments in connection with the production and transportation of materials needed in the war effort, and in some instances it has been necessary also in the purchase of critical and strategic materials to pay prices for such materials in excess of their sales value, thus taking a loss.

Enclosed is a statement as of October 31, 1944, which shows the direct payments made to increase or maintain production of critical or strategic materials; also a statement as of October 31, 1944, of those purchase and sale programs which have resulted in a net loss of \$100,000 or more.

Sincerely yours,

(In lieu of the statement as of October 31, 1944, referred to in the above letter, a revised statement as of December 31, 1944, is made a part of the record and appears on p. 4.)

Another letter dated February 24, 1945, addressed to the Honorable Robert F. Wagner, chairman, Senate Banking and Currency Committee, Washington, D. C., and signed by Charles B. Henderson of the Reconstruction Finance Corporation. That letter will be placed in the record.

(The letter referred to above appears as appendix A on p. 44.)

There is another letter dated February 27, 1945, addressed to the Honorable Robert F. Wagner, Chairman, Senate Banking and Currency Committee, Washington, D. C., and signed by Leo T. Crowley, Administrator of the Foreign Economic Administration, which will be made a part of the record.

(The letter referred to above appears as appendix B on p. 46.)

Are there any other communications that any member of the committee wants to spread upon the record in addition?

Senator McFARLAND. Mr. Chairman, I have a memorial from the senate, State of Arizona, being Senate Memorial No. 1, and reading:

Senate Memorial No. 1—A memorial requesting continuation of the premium price plan for copper, lead, and zinc.

To the Congress of the United States and the War Production Board:

Your memorialist respectfully represents:

In the interest of the prosecution of the war, the Congress enacted and the War Production Board carried into effect what is known as the premium price plan for copper, lead, and zinc.

The premium price plan was designed, not to afford a profit to producers but to bring out more of these essential metals than the low ceiling prices could provide—to encourage over-quota production involving careful planning, capital investment, and increased production costs which can only be liquidated over a long period.

Hundreds of producers, large and small, have done and are doing their part to carry out the program.

Announcement has been made that the premium price plan will be closed as of July 31, 1945, and as to certain classes of premiums prior to that date, on 30 days' notice.

This action, if carried out, will work a very great and unjustified hardship upon a large number of producers, and especially small mine operators, who have made investments and incurred obligations in compliance with the Government's wishes, which have by no means been liquidated, and which were assumed and undertaken with the understanding that the duration of premium prices was guaranteed until the national emergency ends.

Wherefore your memorialist, the senate of the State of Arizona, urgently requests:

1. That the premium price plan for copper, lead, and zinc, including all classes of premiums, be continued to June 30, 1946, and that no provision be made for the cancelation of any class of premiums during the intervening period except in cases necessitating individual operating corrections.

2. That the Congress appropriate sufficient funds for carrying out the existing plan until such date.

Senator MURDOCK. We have before the committee this morning Mr. Goodloe, of the Reconstruction Finance Corporation.

STATEMENT OF JOHN D. GOODLOE, GENERAL COUNSEL, RECONSTRUCTION FINANCE CORPORATION, WASHINGTON, D. C.

Mr. Goodloe, will you state your name, official position, and address, for the record?

Mr. GOODLOE. John D. Goodloe, general counsel, Reconstruction Finance Corporation, Washington, D. C.

Senator MURDOCK. Do you have some testimony that you desire to give, Mr. Goodloe, at this time?

Mr. GOODLOE. Yes, sir.

Senator MURDOCK. You may proceed.

Mr. GOODLOE. Mr. Chairman, and members of the committee, on February 9, 1945, the Honorable Jesse H. Jones addressed a letter, which has already been read into the record, to the chairman of the Senate Banking and Currency Committee in which he called attention to the need for legislation if the Congress desired a continuation after June 30, 1945, of the subsidies which were being paid by the R. F. C. through certain of its subsidiaries.

The Chairman has already inserted that letter in the record. However, in lieu of the statement which was enclosed with that letter, showing as of October 31, 1944, the direct payments made by the R. F. C. subsidiaries to increase and maintain production of critical and strategic materials, also those purchase and sales programs which had resulted in a net loss of \$100,000 or more, we should like to substitute for the record, at this time, a revised statement showing such information as of December 31, 1944.

Senator MURDOCK. Without objection, that statement may be made a part of the record.

(The revised statement referred to is as follows:)

Direct payments to increase or maintain production, Dec. 31, 1944

Material or commodity	Date program began	Expenditures to date	Estimated monthly expenditure through June 30, 1945
Aluminum rod and bar.....	Feb. 16, 1943	\$542,891	(1)
Bituminous coal.....	Jan. 28, 1944	165	(1)
Refractory bricks.....	July 15, 1943	6,113	(1)
Butter.....	June 1, 1943	117,007,829	\$6,500,000
Coal transportation.....	Jan. 1, 1942	39,345,134	1,000,000
Firewood.....	Apr. 12, 1944	801	10,000
Flour.....	Dec. 1, 1943	86,145,457	7,200,000
Meat.....	June 7, 1943	659,892,061	41,000,000
Nitrate of soda.....	Apr. 1, 1942	4,169,002	(1)
Sodium bichromate.....	June 1, 1944	291,149	(1)
Petroleum compensatory adjustments (net).....	Aug. 1, 1942	301,345,257	11,000,000
Stripper well—compensatory adjustments.....	Aug. 1, 1944	11,301,141	4,500,000
Sugar distribution.....	Apr. 1, 1942	24,973,233	(1)
Texas timber salvage.....	June 14, 1944	60,000	30,000
Wood pulp.....	Apr. 13, 1943	2,236,569	125,000
Copper.....	Feb. 1, 1942	57,360,550	2,260,000
Lead.....	do.....	26,280,981	1,305,000
Zinc.....	do.....	79,130,569	3,410,000
Zinc (smelter).....	June 14, 1944	227,431	² 120,000
Ferrocchrome.....	Sept. 30, 1944	-----	² 15,000
Tin scrap.....	Oct. 30, 1944	11,788	² 20,000
Total.....	-----	1,410,328,121	78,495,000

¹ None; program terminated.

² Through Mar. 31, 1945.

Purchase and sale program which have resulted in net losses of \$100,000 or more, Dec. 31, 1944

Material or commodity	Unit	Quantity acquired	Quantity disposed of		Net loss to date
			Losses from sinking, etc.	Sold	
Agave fiber.....	Pound.....	991,574,924	13,166,609	946,329,163	\$4,637,650
Aluminum rivets.....	Pound.....	11,190,799	44	10,398,343	1,556,176
Barbed wire.....	Pound.....	26,978,200	-----	26,978,200	160,546
Binder twine and rope.....	Pound.....	102,958,148	100	83,681,458	720,817
Calcined petroleum coke.....	Short ton.....	97,103	-----	65,472	509,996
Cork.....	Metric ton.....	73,244	618	60,146	2,435,806
Istle fiber.....	Pound.....	91,065,392	-----	69,863,811	197,268
Jewel bearings.....	Each.....	11,002,266	-----	5,245,316	1,485,465
Molasses.....	Gallon.....	694,492,171	2,895,852	623,514,601	16,664,691
Nitrate of soda.....	Short ton.....	1,216,136	-----	1,127,366	4,212,995
Silk.....	Pound.....	8,745,040	-----	7,974,884	273,708
Stirrup pumps.....	Each.....	1,282,198	34	373,862	677,369
Sugar:					
Domestic.....	Short ton.....	95,574	-----	95,574	400,016
Cuban.....	Short ton.....	1,980,710	-----	1,980,710	1,983,437
Tires and tubes.....	Each.....	26,658,583	35,017	26,599,562	19,715,434
Alumina.....	Short ton.....	38,021	-----	38,021	464,608

*Purchase and sale program which have resulted in net losses of \$100,000 or more,
Dec. 31, 1944—Continued*

Material or commodity	Unit	Quantity acquired	Quantity disposed of		Net loss to date
			Losses from sink- ing, etc.	Sold	
Aluminum—Primary	Short ton	546, 529		292, 654	\$20, 098, 354
Antimony ore	Short ton	49, 505	2, 821	37, 447	710, 705
Arsenic	Short ton	21, 428	28	7, 924	255, 243
Chrome ore	Short ton	1, 491, 432	12, 846	809, 828	4, 137, 891
Copper	Short ton	2, 312, 366	2, 005	2, 051, 705	11, 472, 189
Copper ore	Short ton	487, 752	1, 690	190, 429	1, 640, 725
Magnesium	Short ton	6, 998		6, 998	2, 716, 502
Mica	Pound	31, 839, 848	1, 334, 000	2, 941, 491	617, 568
Nickel	Short ton	27, 218		21, 314	4, 660, 467
Pig iron	Short ton	187, 906		187, 692	455, 981
Platinum	Ounce	95, 351		78, 213	307, 834
Tin	Short ton	154, 993	2, 240	133, 379	9, 501, 874
Tungsten ore	Short ton	106, 410	2, 402	48, 166	392, 917
Vanadium ore and vanadium	Short ton	22, 271		2, 445	1, 709, 505
Aluminum scrap	Short ton	12, 331		12, 318	1, 486, 115
Brass scrap	Short ton	9, 506		3, 275	296, 682
Copper scrap	Short ton	173, 966		159, 910	12, 857, 873
Nickel scrap	Short ton	10, 820		9, 804	834, 892
Steel scrap	Short ton	704, 216		643, 555	11, 696, 300
Tin cast metal	Short ton	10, 183		8, 714	307, 735
White metal	Short ton	1, 319		1, 282	216, 463
Brass and bronze valves	Each	118, 993		118, 993	212, 790
Oil country pipe	Short ton	38, 773		38, 773	162, 804
Total					142, 845, 391

NOTE.—The above figures do not include any losses which may be sustained by reason of the future sale of present inventories.

Senator MURDOCK. You will furnish the reporter with a copy of that document?

Mr. GOODLOE. Certainly.

On February 8 Senator McFarland, for himself and certain of his colleagues, introduced a bill, S. 502, to permit the continuation after June 30, 1945, of the subsidies being paid by certain subsidiary corporations of the Reconstruction Finance Corporation, created pursuant to section 5d (3) of the R. F. C. Act, as amended, with respect to strategic and critical minerals and metals and petroleum and petroleum products. This bill was referred to the Senate Banking and Currency Committee and subsequently was assigned for consideration to this subcommittee.

On February 24, 1945, the Honorable Charles B. Henderson, Chairman of the R. F. C., submitted to the chairman of the Senate Banking and Currency Committee, in response to his request, a report on S. 502. He stated that while R. F. C. would interpose no objection to favorable consideration of that bill, we were of the opinion that the committee should give consideration to an amendment or substitute which would embrace all of the activities of the R. F. C. which the committee considered affected by the last sentence of section 2 (e) of the Emergency Price Control Act of 1942, as amended, and not limit its consideration to S. 502, which affects only operations relating to critical and strategic minerals and metals and petroleum and petroleum products.

A few days ago, as you know, Mr. Chairman, this aspect of the matter, at your suggestion, was discussed informally by representatives of the Office of Economic Stabilization, Office of Price Administration, Foreign Economic Administration, and R. F. C. with the members of this subcommittee.

At the conclusion of this discussion we were requested to prepare a substitute for S. 502 in accordance with the approach taken in section 4 of S. 298, as amended by the Senate Banking and Currency Committee on February 1 and passed by the Senate on February 5, 1945, relating to the application of the last sentence of section 2 (e) of the Emergency Price Control Act, as amended, to the operations of the Commodity Credit Corporation for the fiscal year ending June 30, 1946, and also to be prepared to discuss such a substitute provision with the subcommittee this morning. A copy of the proposed substitute for S. 502 has been furnished to each member of the subcommittee this morning. With the approval of the chairman, I would like to include copy of it in the record at this point, since the remainder of my statement will be in the nature of an explanation of that proposal.

It is dated March 5, 1945, and reads:

SUBSTITUTE FOR S. 502

That the last paragraph of section 2 (e) of the Emergency Price Control Act of 1942, as amended by the Stabilization Act of 1944, shall not apply during the fiscal year ending June 30, 1946, to corporations created or operations authorized to be performed pursuant to section 5d (3) of the Reconstruction Finance Corporation Act, as amended: *Provided*, That the making of subsidy payments and buying for resale at a loss for the purpose of maintaining maximum prices established pursuant to provisions of the Emergency Price Control Act of 1942, as amended and supplemented, shall be limited during the fiscal year ending June 30, 1946, as follows:

(a) Payments or purchases may be made in such amounts as may be necessary to fulfill obligations incurred prior to July 1, 1945, with respect to 1945 and prior fiscal year activities.

(b) Payments and purchases may be made with respect to which the anticipated losses may not exceed the following:

1. Materials or commodities, other than rubber and rubber products, produced outside the United States in an amount not to exceed \$-----;

2. Rubber and rubber products produced outside the United States in an amount not to exceed \$-----;

3. Materials or commodities produced within the United States, as follows:

Meat in an amount not to exceed \$-----;

Butter in an amount not to exceed \$-----;

Flour in an amount not to exceed \$-----;

Petroleum and petroleum products in an amount not to exceed \$-----;

Copper, lead, and zinc in the form of premium payments in an amount not to exceed \$-----; and

Other materials or commodities in an amount not to exceed \$-----;

Provided, That in the event the entire amount of any of the above allocations is not required for its purpose, the unused portion of any of such allocations, but not to exceed 10 percent of such allocation, may be used for making such payments on any other item or items enumerated in this paragraph as may be determined by the Economic Stabilization Director.

The corporations created by the R. F. C. with the approval of the President pursuant to section 5d (3) of the R. F. C. Act, as amended, are Defense Plant Corporation, Defense Supplies Corporation, Metals Reserve Company, Rubber Reserve Company, War Damage Corporation, U. S. Commercial Company, and Petroleum Reserves Corporation. The U. S. Commercial Company and Petroleum Reserves Corporation were transferred to the Foreign Economic Administration by Executive Orders 9361, dated July 15, 1943, and 9380, dated September 25, 1943.

Of these corporations, the limitation imposed by the last sentence of section 2 (e) of the Emergency Price Control Act, as amended by the

Stabilization Extension Act of 1944 presently affects only Defense Supplies Corporation, Metals Reserve Company, U. S. Commercial Company, and possibly Rubber Reserve Company.

Subparagraph (a) is intended to permit these corporations to fulfill obligations incurred prior to July 1, 1945, with respect to 1945 and prior-fiscal-year activities.

Subparagraph (a) 1—

Senator TAFT (interposing). Just a moment, please. On looking at my copy, it seems to me that would be (b) 1.

Mr. GOODLOE. Paragraph (b) 1. You are correct.

Subparagraph (b) 1 deals with payments and purchases to be made with respect to materials or commodities other than rubber or rubber products produced outside the United States and provides that the anticipated losses on such transactions incurred during the fiscal year ending June 30, 1946, may not exceed a certain dollar limitation to be fixed by the Congress. This provision affects principally the Foreign Economic Administration, and representatives of that agency are here to explain it fully and to answer any questions that the committee may desire to ask with reference to this phase of the matter.

Subparagraph (b) 2 deals with payments and purchases to be made with respect to rubber and rubber products produced outside the United States and provides that the anticipated losses on such transactions incurred during the fiscal year ending June 30, 1946 may not exceed a certain dollar limitation to be fixed by the Congress.

Subparagraph (b) 3 deals with payments and purchases to be made with respect to materials or commodities produced in the United States. It, likewise, provides that the anticipated losses on such transactions incurred during the fiscal year ending June 30, 1946, may not exceed a certain dollar limitation to be imposed by the Congress. You will note that there is shown separately within this category the principal programs of the R. F. C. subsidiaries affected by the present limitation of the last sentence of section 2 (e) of the Emergency Price Control Act of 1942, as amended by the Stabilization Act of 1944.

The last paragraph of the proposed substitute for S. 502 is a so-called "shift" provision which would make it possible for the unused portion of any of the allocations made, but not to exceed 10 percent of such allocation, to be used for the making of payments or purchases with respect to any other item or items set forth in the bill as may be determined by the Economic Stabilization Director. This will provide a much needed flexibility within the limitation of 10 percent but will not, of course, increase the aggregate amount of the total over-all limitation imposed by the Congress with respect to the anticipated losses as to cash payments and purchases made with respect to operations for the fiscal year ending June 30, 1946.

In attempting to draft a proposed substitute for S. 502 in keeping with the desires of this subcommittee, as we understood them, we have taken what we believe to be the only practical approach to the problem of providing a dollar limitation as to losses with respect to purchase and sale programs on a fiscal year basis. The provision which has been included means that with respect to such payments and purchases, each of the corporations, must estimate the amount of loss likely to result therefrom. The aggregate of all such estimated losses with respect to payments and purchases to be made during

the fiscal year ending June 30, 1946 must not be in excess of the dollar limitation to be imposed by the Congress.

To have attempted to deal with purchase and sale programs on the basis of limiting the aggregate amount of actual losses realized during the fiscal year ending June 30, 1946, as undoubtedly was contemplated by the language of the present limitation contained in the last sentence of section 2 (c) of the Emergency Price Control Act of 1942, as amended, would have presented an almost impossible situation. This would have been true with respect to purchases for stock pile purposes, especially of fungible goods where any attempt to segregate by fiscal years losses subsequently incurred under such purchase and sale programs would present difficult questions of cost accounting. Furthermore, to be able to apply such a provision at all, it probably would be necessary specifically to exclude from the limitation such losses as might be sustained with respect to the sale of materials or commodities purchased on or before June 30, 1945, and held in inventory on that date.

No subsidiary of R. F. C. has bought, or contemplated buying, any critical or strategic material solely for the purpose of selling it at a loss. All such materials are bought on the recommendation of the War Production Board, or other appropriate agency, for the purpose of maintaining for war production and essential civilian purposes, either an adequate current supply, or a reserve supply, or both. In a great many cases we know, of course, at the time a purchase or contract for purchase is made that unless there is a substantial change in conditions there will be a loss when the materials are ultimately resold. Under the present provisions of the proposed substitute bill, such anticipated losses will be estimated with respect to all payments and purchases and the aggregate amount thereof will not be in excess of the dollar limitation to be provided under the bill with respect to such transactions for the fiscal year ending June 30, 1946.

Mr. Chairman, that concludes my opening statement.

I have separate statements in summary form which give a brief history of and current estimates for the subsidy payments on meat, butter, flour, petroleum and petroleum products, and the premium-price plan for copper, lead, and zinc. They may be inserted in the record or I will be glad to read them, but they are a bit lengthy for that.

Senator MURDOCK. Without objection, I believe those explanatory statements should be inserted in the record.

It is so ordered.

(The statement above referred to appears as appendix C on p. 47.)

Senator TAFT. Mr. GOODLOE, I should like to ask you this question.

Mr. GOODLOE. Yes.

Senator TAFT. Mr. Goodloe, taking up your proposed substitute, assuming that you have worked it out along the general line that was suggested the other day, I certainly have no objection to the language that you have suggested.

I find one loophole, perhaps, that might conceivably be found in it in the language:

Payments or purchases may be made in such amounts as may be necessary to fulfill obligations incurred prior to July 1, 1945, with respect to 1945 and prior fiscal year activities.

That raises a little question as to whether you could increase your premium program, or your program in general between now and July 1 to some high figure beyond what might have been originally contemplated for 1945.

Mr. GOODLOE. Senator, that language was intended to make it clear that we could make, after June 30, 1945, any payments that were earned under existing programs prior to that time.

Senator TAFT. That is perfectly satisfactory if that is what it means.

Mr. GOODLOE. That is what it was intended to mean, both on direct payments and on purchase and sale programs. There will be situations where the contract of purchase will be completed all except delivery, and the material might be delivered on or after July 1. We wanted to make it quite clear that we had authority to pay for it. Administratively we have taken the position we had that authority.

Senator TAFT. I suppose you let a contract for copper in June for the whole fiscal year of 1946, would you say the fact that you made the contract before the 1st of July would exempt that whole contract from the limitation of the fiscal year 1946?

Mr. GOODLOE. No, sir. That is not contemplated, absolutely not.

Senator TAFT. So, what I understand it to be is you would just continue your program as it is, or maybe slightly varied or changed, but as to the deliveries to be made or contemplated to be made after July 1, that would fall into the 1946 program?

Mr. GOODLOE. Yes.

Senator TAFT. But if it fell in the 1945 program, and there was some delay in delivery, you could pay for it out of the 1945 fund?

Mr. GOODLOE. Yes.

Senator McFARLAND. What are your plans as to premiums to be paid on copper, lead, and zinc?

Mr. GOODLOE. Senator, if you will permit me, I would like to ask permission to take up the provisions in the order in which they come, if that is satisfactory.

Senator McFARLAND. That is all right.

Senator MURDOCK. As I understand it, now, Mr. Goodloe, you are going to comment rather briefly, and I do not want to emphasize the word "briefly" too much, on these matters?

Mr. GOODLOE. Skipping to subparagraph (b) I would like to take up items 1 and 2, relating to matters concerning largely the Foreign Economic Administration. Representatives of that organization are here, and are prepared to discuss those in full.

Item 3, as I said before, relates to payments and purchases with respect to materials and commodities produced in the United States. Such payments and purchases are made by subsidiaries of the Reconstruction Finance Corporation.

I have submitted for the record a statement for meat in which the estimate for the fiscal year 1946 is \$560,000,000.

Senator TAFT. Mr. Goodloe, the statement that you submitted showed that there were now figures indicating that they are running at the rate of \$37,000,000, which is only \$444,000,000. Has there been an increase since October 31, or is it a contemplated increase in the meat subsidy?

Mr. GOODLOE. Let me answer it in this way: On the recently reduced volume of meat production, the meat subsidy averaged about \$37,000,000 per month.

During the previous months the average was nearer \$40,000,000 per month, or approximately \$480,000,000 a year.

The hog crop in 1945-46 is expected to be substantially larger, by reason of the current very high hog prices.

Senator TAFT. I am sorry, but Mr. Bowles testified yesterday that it would be considerably less than 1944. I believe he testified to that either yesterday or day before yesterday.

Mr. GOODLOE. I understood that representatives of O. P. A. were in full agreement with our facts and figures as to meat.

Senator TAFT. I would like to develop what the situation is. He said there would be a substantially less amount of meat during the next year, that is, 1945, than there was in the year 1944.

Mr. GOODLOE. Mr. Field is here representing the O. P. A., and I would rather ask him to answer that question. It may be there is some lesser amount of meat for civilian consumption. I am sure there will be a substantial increase in hog production with the result that the total volume of meat production will be increased. Our people estimate that \$60,000,000 additional will be needed for subsidy during the next year on the increased hog production alone.

Senator TAFT. Did you say \$60,000,000 or \$600,000,000?

Mr. GOODLOE. \$60,000,000.

Senator MURDOCK. Mr. Field.

Mr. RICHARD H. FIELD. My name is Richard H. Field, I am general counsel, Office of Price Administration.

It is my recollection, Senator, of Mr. Bowles' testimony that he was referring to the amount available for civilian distribution, and also that he was referring more specifically to beef than to pork products.

Senator TAFT. At the present time he testified there was more beef and less pork. As I understand it he testified that there would be less of both of them during the year 1945.

Mr. ORITESTED. I think that would be true with respect to the first 6 months, or to the first three quarters of 1945, but I think it is anticipated that beginning in the fall there probably will be an increase in hog raising, because the present price ratios generally have an effect on the breeding but they will not have that effect until some time around in January, which would probably be too late to have any effect in the early part of 1945, but will quite possibly result in some increase in hogs in the last quarter of 1945 and the first quarter of 1946.

Senator TAFT. Do you pay a subsidy on Army meat too?

Mr. GOODLOE. The payments are made on the entire slaughter.

Senator TAFT. Then this increase from \$450,000,000 or \$480,000,000 to \$560,000,000 is based on an expected increase in the supply of meat?

Mr. GOODLOE. Particularly the increase in hogs.

Mr. ORITESTED. Senator there was an increase in the beef subsidy around the 1st of January 1945, on the good and choice cattle which will increase the estimates for beef by some amount. The Reconstruction Finance Corporation people could tell you more specifically about it, but it runs about 50 cents per hundredweight on good beef and \$1 per hundredweight on choice beef, and the dollar goes down to 50 cents, I believe, on July 1, 1945, but you would still have the increase of 50 cents on both good and choice.

Senator TAFT. How much was paid last month? Do you have records for that?

Mr. ORITESTED. \$38,000,000 in the month of February.

Mr. GOODLOE. Approximately \$60,000,000 additional is for the increase made in January, of the subsidy on the top grades of beef, and approximately \$60,000,000 additional is estimated for the increase in the production of hogs.

Senator TAFT. What is the next item?

Mr. GOODLOE. The next item is butter. The butter payments for the last 18 months have averaged about \$5,000,000 per month, a total cost of about \$80,000,000. The minimum we can safely rely on for the fiscal year 1946 would be \$90,000,000. We are suggesting for an amount to meet contingencies, including possible termination of hostilities in Europe, to make a substantial change, \$100,000,000 for butter.

The next item is flour subsidy.

Senator TAFT. Butter is paid to the processor at the creamery?

Mr. GOODLOE. That is correct, sir.

Senator TAFT. And it amounts to how much per pound?

Mr. GOODLOE. Five cents per pound.

Senator TAFT. Five cents per pound at the creamery on what kind of butter?

Mr. GOODLOE. Both on ordinary butter and the processed butter.

Senator TAFT. In addition to the 10 cents per pound that the Commodity Credit Corporation pays, so that the total butter subsidy is 15 cents per pound?

Mr. GOODLOE. I assume that it is, Senator, because the 5 cents that we have has no relation to any payments made by the Commodity Credit Corporation.

Senator TAFT. They are paid directly to the producer?

Mr. GOODLOE. That is my understanding.

Senator MURDOCK. The subsidy from the Commodity Credit Corporation is paid directly to the producer rather than to the processor?

Mr. GOODLOE. That is my understanding.

Senator MURDOCK. In the way of a feed subsidy?

Mr. GOODLOE. That is my understanding.

Shall I continue?

Senator MURDOCK. Proceed.

Mr. GOODLOE. The next item is flour. That program was started December 1, 1943, as you know, and the subsidy payment was geared to the price of wheat. If wheat stays at full ceilings, with parity unchanged, the subsidy payments will average about 30 cents per bushel. The maximum cost for the fiscal year 1946 would then be \$190,000,000 based on these assumptions. We suggest that that figure be included for flour.

Senator MURDOCK. What is that figure that you gave last?

Mr. GOODLOE. \$190,000,000.

Senator TAFT. I notice the October figure indicated you only paid \$7,200,000 per month and the total for the year would only be \$86,400,000 last time. The figure here, as is shown by the payment in February, as I understand it, is \$7,500,000.

Mr. GOODLOE. I will ask Mr. Barnes to answer you on that, Senator.

Mr. STUART BARNES (Vice President, Defense Supplies Corporation). Senator, you refer to this latter figure?

Senator TAFT. Yes. That is only \$90,000,000, and why do we have \$190,000,000 here?

Mr. BARNES. Senator, in the calendar year 1944 the flour payment averaged about \$8,600,000 per month, and during that time the wheat ceilings were 4 cents lower than at present.

Senator TAFT. That was only for about 9 months.

Mr. BARNES. That would be \$8,600,000 average per month for the calendar year 1944 or a total of over 100 million for the calendar year where we have had wheat ceilings of 4 cents less than at the present time. In addition the large wheat crop last year forced wheat prices to fall below the ceiling which, of course, affects the subsidy rate. This estimate is based on a continuation of flour production at about the present high level, and a large wheat crop is expected to take care of the very great demand that is expected.

With flour production at 265,000,000 hundredweight, a little below the 1944 calendar year, there would be about 622,000,000 bushels of wheat used. If the price of wheat remained at full ceiling, and with present levels, the cost for the full year would be around \$162,000,000.

Senator TAFT. I do not understand why, if in February at the same price you only paid \$7,500,000, you would anticipate such a tremendous increase?

Mr. BARNES. Wheat prices pushed up to ceiling all over the country; for example, our rate today for the month of March is 27 cents. Wheat has not quite reached the ceiling in all markets, but it is going up, and apparently will soon reach the ceiling, in which case the subsidy will average about 30 cents per bushel. In December and January the rates were somewhat lower than that, being 18 cents and about 26 cents, respectively.

Senator TAFT. What is the ceiling price today?

Mr. BARNES. I think the parity price on the farm is about \$1.50.

Mr. EDWARD F. PRICHARD, JR. (general counsel, Office of Economic Stabilization). \$1.60.

Mr. BARNES. The ceiling at the terminal markets varies in different parts of the country.

Senator TAFT. But there is a standard figure used, usually.

Mr. BARNES. I am afraid I cannot answer that directly, Senator. I think the ceilings range anywhere from \$1.60 to \$1.85.

In Baltimore it is about \$1.85, and to that can be added the cost of commissions of 1½ cents per bushel, and 5 cents per bushel for terminal charges and storage, so that you would have a pretty high ceiling price in that area; whereas, out in Kansas City it would be substantially less than that.

Senator TAFT. I still do not understand, if it only cost \$7,500,000 in February, why you would have this figure now.

Mr. BARNES. Senator, let me say that the February subsidy, that being the figure covering the January accounting period, would simply reflect the fact that as the program operates we were paying for January at rates which were substantially lower than present rates.

Senator TAFT. Precisely. Has the price of wheat gone up since that time?

Mr. BARNES. Yes.

Senator TAFT. How much?

Mr. BARNES. You see the rate we were paying in January was not announced until the end of December. I cannot tell you how much

the price of wheat has gone up, but the rates for the last several months will give you an indication of how the rate has gone up.

Senator TAFT. Mr. Field, you have been talking about how you have not increased the cost of food subsidies substantially over the high of last year, and Mr. Bowles so testified last week; now, we have \$100,000,000 increase asked for in meat, and now another \$100,000,000 increase in flour. How do you explain that?

Mr. FIELD. With respect to the meat, Senator, the figure was given to allow a continuance of the program on the same basis on which it is now running, and to have a cushion to take care of increased production which, in turn, would require a corresponding increase in the payments.

With respect to the flour situation, I, myself, cannot give you an answer to that question which you have put as to why there was a larger increase than the February amount indicated by way of increase, but I would be glad to have somebody here in the course of the hearing who could tell you about that.

Senator TAFT. Yes; because it does seem a substantial increase. This was the biggest thing I think I have seen along this line. There is also in the bakers' end of it, and of course they would like to see an increase of 1 cent in the cost of bread, which would bring in some 200 millions, and with that increase the bankers contend that that would not only give them a little more margin, but that would be able to take care of the entire subsidy, and a slight additional margin to the bakers. I do not say that it should be done as an alternative to spending \$200,000,000, but it is something to think about.

Senator MURDOCK. I think the suggestion of this gentleman over here to supply the costs in the form of a statement for several months back was a good one, and if you will do that, and make it part of your testimony in regard to flour, the committee would like to go over it.

Mr. BARNES. You mean, both on the rates that we pay presently and for the last 6 months?

Senator MURDOCK. What would you suggest?

Senator TAFT. The dollars paid based on the same statement here that you referred to, as well as the amount that you have been paying this year, so we may have a comparison.

Mr. BARNES. I will have such a statement prepared which will be submitted to the committee.

Senator MURDOCK. So ordered.

Senator TAFT. The figure referred to is \$190,000,000 or \$200,000,000?

Mr. BARNES. The figure is \$190,000,000 on flour.

Senator TAFT. That is \$190,000,000 on flour?

Mr. BARNES. \$190,000,000 on flour.

Mr. GOODLOE. May we now go to petroleum and petroleum products?

Senator MURDOCK. Proceed, Mr. Goodloe.

Mr. GOODLOE. Under petroleum and petroleum products, as you will notice from the copies that have been distributed, there is a total sum for the fiscal year ending June 30, 1946, of \$290,000,000. That comprises four different programs:

The first is the so-called petroleum compensatory adjustment program which has to do with the abnormal transportation costs of petroleum and petroleum products moving into the Atlantic seaboard

area, for which the estimate is \$150,000,000. Those estimates I think are conservative.

Those payments are now averaging about \$11,000,000 per month.

Senator TAFT. May I ask this question: if there is any possibility of getting a gradual reduction at least during the coming year?

Mr. George H. Hill (Executive Vice President and general counsel, Defense Supplies Corporation). Perhaps I could answer that. It depends on the situation. If the tankers are produced in sufficient quantity; yes; if they are not, no.

Senator TAFT. The tankers are being produced very rapidly?

Mr. HILL. They do not have sufficient tankers, and so, the cost today has gone up.

Senator TAFT. This is primarily to compensate for the extra cost of railroad transportation of the oil.

Mr. HILL. Over tankers.

Senator TAFT. Over the cost of movement by tankers?

Mr. HILL. That is correct.

Senator TAFT. What about the pipe line, pipe lines, do they require an adjustment, too?

Mr. HILL. Yes, sir. If you take as a basis the tanker transportation from Texas and the Gulf coast, to the east coast, under a higher cost method of transportation, they are allowed to take out the difference in the form of a subsidy. If they move it partly by pipe line and partly by tank cars, and partly by barge, it costs more than it would if they moved it by tankers, and they are allowed a differential.

Senator TAFT. And that figure is \$150,000,000?

Mr. GOODLOE. That is correct, \$150,000,000.

Senator MURDOCK. That is in district No. 1 which comprises the Atlantic seaboard?

Mr. HILL. The 17 Atlantic Seaboard States and the District of Columbia.

Mr. GOODLOE. The second item under petroleum is petroleum compensatory adjustment regulation No. 2 with respect to extra transportation costs involved in shipping crude oil in tank cars and barges from district No. 3 and certain points in Wyoming, in district No. 4, into district No. 2, or rather the additional expense of that movement.

Senator TAFT. To destinations in district No. 3?

Mr. GOODLOE. Destinations in district No. 2, and the estimate in that particular case is \$20,000,000 for the fiscal year 1946.

Senator TAFT. That is also for oil transportation?

Mr. GOODLOE. Yes, sir.

Senator TAFT. Extra oil transportation cost?

Mr. GOODLOE. Yes, sir.

The third item under petroleum and petroleum products is the so-called stripper well compensatory-adjustment program with which I believe you gentlemen are familiar. There for the fiscal year 1946 the figure is \$75,000,000.

The fourth item refers to the movement of crude oil from west Texas to the Gulf. There is also an extra transportation cost there. The estimate for 1946 is \$45,000,000.

Senator TAFT. That seems to be an increase over what you are paying today, and seems to be brought about by an increase in the war movement?

Mr. GOODLOE. You mean in the latter item?

Senator TAFT. The only thing I see in the petroleum compensatory adjustment is the \$11,000,000 per month, which would only be \$132,000,000 instead of \$215,000,000. Where is the rest of it?

Mr. GOODLOE. Instead of \$132,000,000, Senator, it is \$150,000,000.

Senator TAFT. Where are the other two items? They are not listed here? They do not appear in this list of payments, do they?

Mr. GOODLOE. They appear in the schedule attached to the copy that I gave you.

Senator TAFT. They were not listed in the letter of February 9. Is that correct?

Mr. HILL. I might explain one of them is a new program of movements to the west coast that was begun in December of last year. That was a movement from the Southwest to the Middle West that was also involved; that is, from the Southwest to district 2, and I believe was about \$13,000,000 last year, and it is estimated that it will be \$20,000,000 for this coming year.

Senator MURDOCK. \$20,000,000 crude petroleum from district 3 and part of district 4, part of Wyoming, to district No. 2?

Mr. HILL. That is correct.

Senator TAFT. This \$45,000,000, how long has that been in effect?

Mr. HILL. Since December only.

Senator MURDOCK. The amount is \$75,000,000 or \$45,000,000?

Mr. HILL. \$75,000,000 is the stripper wells. \$45,000,000 is for this movement from Texas to California.

Senator TAFT. Again, apparently you have a large increase in this subsidy, because you spent, in something like a little over 2 years, about \$77,000,000 in this particular petroleum adjustment, which now asks \$150,000,000 per year. You are asking for \$215,000,000 for all of this adjustment. What is the purpose of these two new programs that have been put in?

Mr. HILL. Those refineries on the west coast, particularly in California, are receiving this oil. They had some additional capacity for manufacturing special fuel oil which they need out there, and they do not have the necessary crude oil to make it.

So the Petroleum Administration for War ordered a movement of 20,000 barrels a day from west Texas of crude oil into California refineries, the average cost per barrel being about \$2.25.

Senator TAFT. Rail movement?

Mr. HILL. That is the amount paid, it is all-rail movement. There is an amount per barrel, or per unit, which is rather high. Recently they have asked us to increase it to 50,000 barrels per day instead of 20,000 barrels a day. This will be reflected in a larger increase for the next year.

Senator TAFT. That does not result in a producer in Texas getting any more.

Mr. HILL. No.

Senator TAFT. He gets the same price?

Mr. HILL. And the amount to the man who buys it in California, he gets it at the same amount that he would have to pay for comparable crude oil in California.

Senator TAFT. Really, it is a direct wartime expense?

Mr. HILL. That is true.

Senator TAFT. For war purposes only?

Mr. HILL. For war purposes only.

Senator MURDOCK. Does it result in an increase in the individual's profits, or is it a result of the increased naval actions and operations in the Pacific area?

Mr. HILL. It does not assist the individual at all. It is almost entirely due to an increase in naval operations in the Pacific.

Senator TAFT. This is not a program in effect in October or September?

Mr. HILL. This is something which came about after the increased naval operations in the Pacific.

Senator TAFT. That largely answers my question as to the extra cost.

Mr. HILL. This is simply a matter of this new movement to the Pacific coast, and it is merely to pay for the railroad transportation.

Senator TAFT. And the Wyoming movement is of the same nature?

Mr. HILL. The Wyoming movement is of the same nature. It is a movement from Wyoming to district No. 2.

Senator TAFT. I understood you to say a while ago it is a movement from Wyoming to district No. 3.

Mr. HILL. It is a movement to district No. 2. And this is a movement from Wyoming to the west coast refineries, or rather up to the Midwest refineries there, and they have some additional refinery capacity which is being used.

Senator TAFT. How much do you want for the oil program altogether?

Mr. HILL. \$290,000,000.

Senator MURDOCK. Proceed.

Mr. GOODLOE. The next specific item I have is the premium price on copper, lead, and zinc, which has been discussed rather fully, I believe. I understand that Senator Murdock and Senator McFarland are entirely familiar with it.

Senator MURDOCK. I think we can discuss it.

Mr. GOODLOE. Very well, Senator. The estimate on that program for operations during the fiscal year ending June 30, 1946, is \$88,000,000.

Senator TAFT. That is the same basis of payment as at the present time, adjusting to whatever the production is supposed to be?

Mr. HILL. Are you asking me, Senator?

Mr. GOODLOE. Perhaps I could answer that. Or I will call on Mr. Strauss, who is familiar with that matter.

Senator McFARLAND. Mr. Chairman, I would like to ask a question about that.

Senator MURDOCK. Certainly, Senator McFarland.

Senator McFARLAND. Is it your plan to continue the same type of program?

Mr. GOODLOE. I would like to ask Mr. Strauss as to that.

Mr. SIMON STRAUSS (vice president, Metals Reserve Company). The answer to the Senator's question as to premiums to be paid will be the same, that is, at the present time there are three rates of payment, and it is planned to continue them; that is, three rates of premiums.

Senator McFARLAND. You are going to continue the terms or will there be a change?

Mr. STRAUSS. There will probably be some change in the terms, Senator, of the plan, before the final draft is completed. The final

draft has been worked upon by a group representing the three participating agencies, that is, the Office of Price Administration, the War Production Board, and the Metals Reserve Company.

Senator McFARLAND. What are your recommendations in that regard? What we are very anxious to know is just what the plans are in regard to these matters. This is where dissatisfaction arises.

We pass legislation on the theory that a condition is going to continue on the same terms and the same plan, and then you fellows change it. We want to know definitely, in our part of the country, what you intend to do, otherwise we want to propose something ourselves.

As a matter of fact, Mr. Chairman, I want to propose an amendment which will read as follows:

Page 2, line 4, strike the period and insert a semicolon and add the words: "Provided, That the premium price plan for copper, lead and zinc shall be continued until June 30, 1946, on the same terms as heretofore, except that all classes of premiums shall be noncancelable unless necessary in order to make individual adjustments of income to specific mines. Premiums and indemnities shall be adjusted so as to return producers' wartime investment."

Mr. STRAUSS. Commenting on the point specifically raised by the provision you have just suggested, Senator, it has been a matter of considerable discussion, as a matter of fact, it has been under discussion, and the plan is now tentatively agreed to for the elimination of indemnities.

Senator McFARLAND. Then you have discussed that matter of indemnities?

Mr. STRAUSS. The matter of indemnities has been under discussion and, as I said, the plan has now been tentatively agreed to for the elimination of indemnities in the sense of amortization of new facilities after June 31, 1945.

Senator McFARLAND. Why?

Mr. STRAUSS. The reason for that is that at the present stage of the present war manpower situation, it is not generally anticipated that there is adequate reason for attempting to develop new projects in production of copper, lead, and zinc, but it is the feeling of the War Production Board that the available manpower could be more effectively used to maintain production of existing properties rather than, at this stage of the war, to stimulate the production of new properties which would not be able to begin production immediately, but would take some time to go into production.

Senator McFARLAND. As to your old contracts you expect to continue them on the same terms and with the same premium?

Mr. STRAUSS. We have no contracts to purchase.

The premium price continues in effect until July 31, 1945, with the terms and conditions as have been set up, being paid until that time. Of course, applications do come in for an increase. If conditions warrant it they are given consideration.

Senator MURDOCK. I understood you to say, Mr. Strauss, and in order to illustrate my point, we will take one of the big producers of copper in 1945, he would be paid additional premiums on his production rather than to stimulate new mines to come into new production.

Mr. STRAUSS. No, sir. I did not mean to say that.

Senator MURDOCK. I did not say you did; I want to clarify the matter.

Mr. STRAUSS. No. A new producer or old producer is eligible for quotas under the regulations which have been in effect for two and a half years.

The existing producers all have had basic quotas assigned at a certain level of production, and are paid premiums only for production in excess of that level.

Under the regulations of the plan the situation is that the new producer is entitled to a zero quota; in other words he is entitled to premiums on his entire production.

But, our idea was that in the light of the present labor situation it is not considered advisable to attempt to stimulate new production and exploration and exploitation of new mines which are not now in production by providing them with an indemnity in the event of a cancellation of the plan after July 1, 1945.

Senator McFARLAND. For those who are in production, is the plan a continuation of the previous payments?

Mr. STRAUSS. Yes; except that individual quotas are at all times subject to review by the quota committee composed of the War Production Board and Office of Price Administration officials, as to changes which have occurred since the plan went into effect.

Each producer has an initial quota which he is entitled to, regardless of the circumstances. As the war has progressed it has been necessary to alter the quota in some cases, because the producers are making excess profits. In those instances the alteration can be made, and the alteration in the quota taken away or revised upon 30 days' notice. That is done if the committee decides that he has a margin of profit which is excessive, or there are some other circumstances which make it necessary to make the change up or down.

The original quota is his and will continue his so long as the present plan is in effect. Under the proposed extension plan, however, it is intended that quotas remain fixed until December 31, 1945, and cancellable after that only on adequate notice, 90 days or more.

Senator McFARLAND. Let me see if I understand you.

Mr. STRAUSS. Yes, Senator.

Senator McFARLAND. If a miner is getting the same class of ore or the same grade of ore, and conditions are the same, your plan is to continue that same premium under the same terms?

Mr. STRAUSS. Yes.

Senator McFARLAND. Is it only in the event that the mine that the man is running should hit some very high grade ore, or some very low grade ore which would change the conditions materially that you would change his quota?

Mr. STRAUSS. Yes, sir; and only to the extent to make it possible to continue to give him the benefits which he received since the plan has been put into effect. The original quota, in other words, cannot be changed to his detriment.

Senator McFARLAND. Why is it you are making this cancellable on December 31, 1945?

Mr. STRAUSS. We are making it cancellable on 90 days' notice on December 31, 1945, on the theory that it is conceivable that the war will end some time along about there or, at least, that the war will not require additional production of metals any longer.

Senator McFARLAND. But, this is not, as I understand it, the sole purpose of this situation, but one of the purposes is stabilization, that

is the basis, stabilization of the prices that are extended to the man in the mining business, so that he may know more definitely what he may count upon.

In other words, if he cannot know what to count on, he cannot know how to make his plans. There are certain losses that come naturally with the war situation slowing down or ceasing, but there are certain losses which the Government is required to take in order to give the mine owner reasonable protection.

Mr. GOODLOE. Senator, it is my understanding, if I may interrupt, the primary purpose in connection with these payments to miners of copper, lead, and zinc, is to increase the production of the metal necessary for war purposes, that is the primary purpose of it. We will continue to be, in the future, as we have in the past, guided largely in that respect by the recommendations of the War Production Board, which is the agency charged with the responsibility of war production.

Senator MURDOCK. In this case, when the war would stop, let us say that your mine operator would enter into that game or guess or speculation, himself, as to when the war would end, and instead of producing right up to the top for war production, why, he would begin to drop off, and thereby things would be in a rather chaotic situation, would they not?

Mr. GOODLOE. What I am trying to say, Senator, I assume all of those factors and considerations will be taken into account by the War Production Board as to some basis of continuation of the plan that they recommend; that is, it will be a factor in it. And the basis of the continuation of the plan that they recommend will be such, as in their opinion, fairly and honestly reflects that.

Senator McFARLAND. They have made rather bad guesses on two or three occasions, where they failed rather badly. I think the effect was most unfortunate.

Mr. GOODLOE. They perhaps did. They tried their best.

Senator MURDOCK. Undoubtedly; but there has to be some consideration for the miner who is putting up his money.

Mr. GOODLOE. I am sure they will take that into consideration.

Senator McFARLAND. There is a considerable element of risk which the miner takes which people do not take in other lines of business. We all recall that we have had some rather bad misguesses on the part of the War Production Board in the past.

Senator BARKLEY. Do not these misguesses affect everybody? Are they entitled to any more than these other people who stimulate production on account of the war?

Senator McFARLAND. That is very true, Senator Barkley, but the thing to be considered is that these premiums are paid in order to stimulate production. In order to do that the miner is forced to put a large amount of money into the mine; and unless he can have some reasonable assurance that he will get that money back, he can not afford to enter into it.

Senator BARKLEY. I think you have to look at the broader picture too.

Senator McFARLAND. Let me ask you this question, Mr. Goodloe: Do you intend, or is it the plan to continue, at least, as you have in the past, in the future until the middle of 1946?

Mr. STRAUSS. I wonder if I might say something on that point?

Mr. GOODLOE. I would like to have you answer that.

Mr. STRAUSS. The present quota has been assigned, and I think that is the matter in question here.

Senator McFARLAND. Can you tell us about this matter of the quota?

Mr. STRAUSS. The quota that has been assigned to date, Senator has been assigned on the basis of amortizing the investment, with few exceptions, by July 31, 1945, the present expiration date of the plan.

On that theory, the investment which the present operators have in their mines, the new investment they made for war purposes should be amortized by that date. The quotas which have been assigned to the producers have been adjusted from time to time with that particular point in view.

Senator MURDOCK. That included constant explorations into new territory in order to keep up their quota, because as they exhaust their present blocked-out ore they, of necessity, have to have additional ore reserves.

Mr. STRAUSS. In setting the quota it does contain an estimate for developmental work, which is what you have in mind, I believe.

Senator MURDOCK. Yes.

Mr. STRAUSS. Yes, of course; the fact that the labor shortage is becoming very, very acute, and very difficult, has reduced the opportunity to maintain developmental work.

Senator MURDOCK. Senator Barkley asked a question as to why should copper, lead, and zinc be given these subsidies in the manner in which they are given, and the answer is simply this: that this is a different and entirely distinct industry in that no one knows what is a foot underneath the ground until they dig down there to find out. In my opinion that distinguishes it from any other industry, in that you must be constantly striving to find new sources of ore, driving into new territory that you do not know and which, in my opinion, is one of the large factors in the cost of production of ore.

Mr. STRAUSS. We consider the quotas fully take into account that fact.

The whole question, I think, revolves around to the point of how much assurance the industry requires. The plan is in tentative form now and is not final by any means. The final plan has not been issued.

The tentative plan has been prepared on the theory that an announcement at this time or in the very near future of the premium price to the end of the year would give the miners sufficient assurance. That is a matter of judgment, of course.

Senator McFARLAND. The thing about it is, as I see the situation, that you are announcing the plan after we pass the bill.

In the first place, though, and I am still of the opinion, that if the prices of these products had been raised before we got into the war, we would not have found ourselves in this situation. I argued that to Leon Henderson in the year 1941, the manpower available still was in excess of the men required to go out and do the work, and if a man can go out and invest his money in the mines with a prospect of getting that money back, and a little bit more, he could afford to take a gamble which is an inherent feature of every mining operation; there is a gambling feature to it that you can not get away from.

Now, the program does not fit that picture at all unless you do something definite, unless he can go ahead on something definite and know something definite in regard to it.

If we pass legislation and then you come in with a plan that is totally different from what we had in mind, we are helpless, and we have been treated in a manner in which we did not expect to be treated.

I would like to know if you have any objection to this amendment, inasmuch as you have not made any definite statement here.

Mr. GOODLOE. I have not seen the amendment, Senator, but I was just going to say that I think the estimate is adequate for the operation of the plan as is. We are not in position today, however, to give any assurance as to the manner in which it will be continued after July 1, 1945. We do not yet have a recommendation from W. P. B.

Senator McFARLAND. I know that Mr. Bowles, in a letter to Senator Scrugham had something to say on that matter. As a matter of fact, I would like to put that letter in the record. Is there objection?

Senator MURDOCK. Without objection that may be done.

Senator McFARLAND. On second thought, I think I will read the letter now. Then we can discuss it.

This is an Office of Price Administration letter, Washington, D. C., under date of March 3, 1945. It is addressed to Senator J. G. Scrugham, Washington. It says:

DEAR SENATOR SCRUGHAM: This is in reply to your letter of February 23, 1945, in which you inquire as to the attitude of this Office regarding continuation of the premium-price plan until June 30, 1946, with no change of terms with respect to A premiums.

We have regarded the premium-price plan as indispensable to effective stabilization of prices in the copper-, lead-, and zinc-producing and consuming industries, and we believe that this consideration warrants extension of the plan for the further period. Other considerations indicate the same course. On this main question, therefore, there is complete unanimity of opinion among the several Government agencies concerned.

With respect to A premiums, our preference would be for continuation of the present terms during the period of extension. However, it is our understanding that cancelation of any class of premiums would not be undertaken without the concurrence of this Office and due consideration of the effects of such cancelation on the price stabilization program. In view of this understanding, we have felt it more important that there be agreement among Government agencies upon the terms of extension than that our preference in this particular matter should prevail. In discussions looking toward extension of the premium price plan, therefore, we have been willing to accede to other terms.

It is signed by Chester Bowles, Administrator, Office of Price Administration.

Senator MURDOCK. Any further questions? Senator Taft?

Senator TAFT. As I understand it, this amount is not in here as something to authorize more contracts, but more in the nature of taking care of present operations which are now being carried out?

Mr. STRAUSS. That is the point we have in mind. We do not believe it would pay to open up new enterprises at this time.

Mr. GOODLOE. There is one other item, and that is the last, the so-called miscellaneous item. I would like to discuss that.

Senator TAFT. Very well.

Senator MURDOCK. Please do so.

Mr. GOODLOE. I would like to reserve judgment on the amount, if I may, because when we discussed that, I believe we discussed the possibility of \$100,000,000. I think that would have been adequate

on the original basis, but now I am not so certain that it will be. Since it has been shifted to the basis of limitation on the estimated loss after July 1, 1945, I cannot state with definiteness that \$100,000,000 would be adequate, because on that basis pluses do not offset the minuses. In other words, when we were originally talking about \$100,000,000 for this item it was on an actual loss basis.

Senator TAFT. You mean the pluses do not offset the minuses within a particular group, or within a particular commodity, because you have here gotten along on only \$125,000,000 in 2 years?

Mr. GOODLOE. That \$125,000,000 is a net figure on that operation and not a gross figure. The pluses have offset the minuses to arrive at that figure.

Since we have shifted that around I would like to have a little more time to study the figure, and suggest a figure that is proper with adequate justification.

Senator McFARLAND. Do you mean other materials and commodities might be involved?

Mr. GOODLOE. Yes, Senator.

Senator McFARLAND. How long will it take you to make this study?

Mr. GOODLOE. I think I could give it to you tomorrow morning, or perhaps this afternoon.

Senator McFARLAND. It would be better to have it this afternoon.

Mr. GOODLOE. I will try to get it to you this afternoon, if not, tomorrow morning. If that is satisfactory we will get that figure to you.

I will now turn over my chair to the gentleman from the F. E. A. Thank you.

Senator MURDOCK. We will now call upon Mr. Blau.

STATEMENT OF CLARENCE I. BLAU, ASSISTANT GENERAL COUNSEL, FOREIGN ECONOMIC ADMINISTRATION, WASHINGTON, D. C.

Mr. BLAU. My name is Clarence I. Blau. I am assistant general counsel, Foreign Economic Administration, Washington, D. C.

Unfortunately, Mr. Chairman, Mr. Davidson, the general counsel, was asked to attend the hearing of another committee, and is unable to attend. Accordingly, he asked me to present a statement that was prepared for his delivery. Under the circumstances, I will have to ask the indulgence of the committee in asking other members of the staff who are more familiar with the details of the program to answer some of the questions that may arise.

I am grateful to the members of the subcommittee for this opportunity to appear before them in connection with S. 502.

One of the more important functions of the Foreign Economic Administration is to procure from foreign sources materials which are essential for the war effort and which we lack or do not have in sufficient quantities domestically. Many of the weapons which are today being used to defeat the enemy and much of the equipment used to protect the lives of our fighting men could not have been manufactured without the materials which have thus been procured in foreign countries and brought into the United States.

Tantalite from Brazil and Africa, quartz crystals from Brazil, and mica from India and Brazil are used in radio and radar produc-

tion. Balsa wood, used in the construction of floats and life rafts, is now being procured from newly developed sources of supply in Central and South America, especially Ecuador. Hides and skins from practically every part of the world are used to manufacture clothing articles for our soldiers and sailors. Pyrethrum, one of the most effective insecticides for malaria and typhus control, is brought into the United States from British East Africa, the Belgian Congo, and Brazil. Antimony, used for fire proofing canvas for the Army and in special types of paints, is being obtained from Mexico, China, and Peru. We import numerous fats and oils necessary for industrial uses. These are just a few of the many important war materials which the Foreign Economic Administration is procuring abroad. There are many others such as tin from Bolivia, lead from Mexico, copper from Chile and nickel from Canada and New Caledonia.—The figures which have been submitted to the subcommittee list additional material which I have not mentioned.

The need for procuring these materials is determined by the War Production Board and the War Food Administration. Under the Executive orders which created the Foreign Economic Administration and its predecessor agencies and defined their functions, the Foreign Economic Administration receives and is responsible for executing directives from the War Production Board and the War Food Administration, or both jointly as to quantities, specifications, and delivery time schedules of materials and commodities required to be imported for the war effort. In the exercise of this authority commodities are imported into the United States duty-free under Executive Order 9177.

To assure that these directives are carried out, the Foreign Economic Administration has sent its representatives to almost every country in the world not under enemy control, in search of all possible sources of supply. Procurement is now carried on in most of these countries.

In many instances, special arrangements have to be undertaken in order to start new production or to stimulate or expand existing production. In some cases, sources of supply which ordinarily would not be resorted to because of factors which make their working uneconomic, must nevertheless be exploited to meet the demands of war. Sometimes capital advances must be made, special engineering and other services arranged, special equipment obtained. Price-control systems, such as we have in the United States, do not exist in many foreign countries. Demand for these materials is urgent, and the supply is short. Prices asked for the commodities have in many cases risen above the prices which would have been normally asked, or above the price ceilings on similar items in the United States. Increased transportation costs due to the hazards and risks of war add to costs.

Our representatives constantly exert every effort to keep the cost of procurement as low as possible. This is at best a most difficult task. In spite of all the conditions which tend to increase the cost of procurement above that which would obtain in peacetime, the losses involved in the Foreign Economic Administration's procurement program are comparatively small. In an estimated procurement program for the fiscal year 1946 amounting to \$1,003,988,134, it is anticipated that the losses including development costs, will be

\$66,038,431. To this I might add that under recent changes in our accounting system, and so as to insure that we will comply with the spirit as well as the letter of the legislation now before you, we would have to count on approximately, \$3,000,000 more for operating expenses in the field directly attributable to the procurement of the commodities on which we anticipate losses.

Senator TAFT. I would like to ask you a question now, if I could interrupt your train of thought.

Mr. BLAU. Certainly.

Senator TAFT. Originally, the organization did not do the buying itself, as I understand it, but operated through the United States Commercial Company and the Reconstruction Finance Corporation.

Mr. BLAU. They issued directives mainly to the Defense Supplies Corporation and the metals Reserve Company but also to Commodity Credit Corporation and U. S. Commercial Company.

Senator TAFT. This has subsequently been combined; has it not?

Mr. BLAU. What has taken place is something like this: First, the Office of Economic Warfare was created by combining the old Board of Economic Warfare with these corporations, and then in September 1943 there were brought together the Office of Economic warfare, the Office of Lend-Lease Administration, and the groups within the Department of State which had been performing relief activities and certain other economic functions. These activities were all merged into the Foreign Economic Administration. A few days later the foreign food activities of the Commodity Credit Corporation were transferred to the Foreign Economic Administration.

Senator TAFT. Do you now have two or three or four corporations?

Mr. BLAU. Yes; we now have the U. S. Commercial Company, the Rubber Development Corporation, the Petroleum Reserve Corporation, and the Export-Import Bank.

Senator TAFT. Where do they get the money that they use?

Mr. BLAU. We borrow all of our funds, under an executive order, from the Reconstruction Finance Corporation.

Presumably, at the end of this type of operation there will have to be an accounting to the Reconstruction Finance Corporation for the losses. Whether it will be necessary to ask Congress to appropriate additional funds to enable us to make up the losses, of course, lies in the laps of the gods.

Senator TAFT. If you need more money you just make a request on the Reconstruction Finance Corporation?

Mr. BLAU. We make a request of the Reconstruction Finance Corporation and if there is any question about it, it is approved by Mr. Justice Byrnes, who has authority, under the Executive order, to join in our requests.

Senator TAFT. And to resolve any differences between yourselves and the Reconstruction Finance Corporation as to how much should be transferred?

Mr. BLAU. Yes; we borrow the money on a loan agreement and we pay interest on the money we borrow.

Senator TAFT. Even though it is gone?

Mr. BLAU. Yes; even though it is gone.

May I proceed?

Senator MURDOCK. Proceed.

Mr. BLAU. As long as the war continues, the war effort will require the continued importation of most of the materials we have been bringing in. In some instances, as new weapons are developed and new war uses are found for such materials, commodities already being purchased may have to be imported in greater quantities, and new materials may have to be procured. Despite all efforts to keep cost of procurement down, losses on certain commodities will be inevitable.

I might add at this point that in some of the newly liberated areas, and also the areas that we hope will be liberated early from which so many of our import materials came before the war, it will be necessary to institute programs of procurement at as early a date as possible. Those programs will undoubtedly result in some losses because of transportation factors, the inevitable break-down of the more common types of transportation facilities, and also because of the very much upset condition of the banking facilities, which are almost completely destroyed, and various factors of that type.

Senator TAFT. So far as I can see this thing in my own mind, these matters have a tendency to resolve themselves into two things, that is, first, those which really may have a direct connection with the Army and Navy, and the second, the part that goes primarily for civilian distribution.

Taking the latter first, is there any subsidy set up to be used by the U. S. Commercial Company for civilian distribution?

Mr. BLAU. We have purchased certain materials which we call nonstrategic, at the request of the trade. For example, in areas like north Africa and Italy, we have gone in there because normal trading facilities have not been available, and there are exportable surpluses, and our facilities are used, but we do not sustain any losses on those commodities. We think it would be not within the purpose of Congress for us to lose money in purchases which are really a service to the trade.

Senator TAFT. Also, the exchange situation in places like that is such that you ought to be able to buy things at rather reasonable prices, at least.

Mr. BLAU. Some of the exchange situations have been very troublesome, and have provided difficulties.

Senator TAFT. I am speaking of the liberated areas.

Mr. BLAU. I also was speaking of north Africa and Italy where the exchange situation has been very difficult at times.

Of course, prices have been highly inflated in those areas. The enemy control system of exchange, price control, rationing, and so forth, all disappeared upon the invasion. We have a very difficult problem to institute under military government auspices new controls which, of course, take time to work out.

Senator TAFT. Do you buy any considerable products for distribution, things like coffee or chocolate or other things that have general distribution in large quantities?

Mr. BLAU. We buy some things of that type. Coffee is entirely under private trade.

Senator TAFT. You do not pay any subsidy on coffee?

Mr. BLAU. On the freight?

Senator TAFT. On the freight on coffee.

Mr. BLAU. We do not now pay anything in the way of a coffee subsidy. During the period of July 1942 to August 1943 the Commodity

Credit Corporation, under a directive from the Board of Economic Warfare, did pay a subsidy, as you no doubt know, on coffee to absorb increased transportation and marine and war-risk insurance costs, inland transportation costs in this country resulting from the fact that the Navy required coffee to be discharged at unusual ports, and such factors as that, but that program has been completely liquidated, and there is no subsidy paid on coffee now.

Continuing, we also import a certain amount of cocoa, as you probably know. A large proportion of that cocoa comes from Central and South America in private trade without Government assistance.

Cocoa from West Africa, that is from the west coast of Africa is also necessary to supplement our supplies. That comes in under a different arrangement. The cocoa from British areas is brought in under reverse lease-lend which is, of course, a nonmonetary transaction. The cocoa that is brought in from French West Africa results in no loss.

Senator McFARLAND. You say it is nonmonetary, there is a price paid on it, is there not?

Mr. BLAU. The British are supposed to put a price on it that represents the f. o. b. cost to them which will be considered at the time the lease-lend settlement is made.

Senator McFARLAND. I was just wondering why that was not done now. I do not see why they cannot put a price on it now, so that we would know whether that price was somewhat in line with the price that is claimed in other places for American goods, or that we pay for the purchase of cocoa elsewhere.

Mr. BLAU. The f. o. b. cost would be such as to enable us to bring in that cocoa under our ceiling price, and it is roughly comparable to the cocoa that we purchase in Central and South America.

Senator McFARLAND. What about tea?

Mr. BLAU. As to tea, all the tea is bought by the Government and distributed by it.

Tea from Ceylon comes in under reverse lease-lend, under a similar arrangement to that I discussed in connection with cocoa from British areas in the West Coast of Africa.

Tea also comes in from India. The Indian tea comes in through the Government, but only a portion of it is sent in under lease-lend. A quantity that is assumed to be sufficient for military use.

The civilian tea from India we pay for in dollars—that is, the tea which is for civilian use—and that price is, at the present time, such that we have been making a little profit. We anticipate with the increasing inflation in India, that the price will go up during the next fiscal year and that we will about break even, but we do not anticipate any losses from that type of commodity.

Senator TAFT. You have been assigned the job of trading in the Philippine Islands?

Mr. BLAU. Yes.

Senator TAFT. Both in trading there, and also in transporting supplies there, as well as purchasing supplies in the Philippines?

Mr. BLAU. We are, at the present time, in the development of suggestions along that line; as a matter of fact, the entire thing is in the developmental stages of programs for purchasing items there.

We have been asked by the Army to discuss those programs only in executive session.

We also are at the present time engaged in preparing to export to the Philippines certain trade or inducement goods to assist us in our program of procurement, and we expect that we will be asked to supplement the civilian supplies brought in by the military, and to follow the military in civilian supply activities after the military period is over.

Senator TAFT. In general, you would say that the losses that you suffer under the present conditions are really undertaken directly in support of the war effort to supply materials for the ultimate use of the Army and Navy?

Mr. BLAU. Yes, Senator.

Senator TAFT. The proportion of civilian supplies is limited, in amount, is it?

Mr. BLAU. Yes; it is limited.

It is sometimes difficult, as you know Senator, to segregate these items.

For example, we purchase sunflower seed oil in the Argentine, and sunflower seed oil is an oil for which we have many uses. It is very much like peanut oil or soybean oil, and it very well may be that some of this sunflower seed oil finds its way into margarine or shortening for civilian use. There is no loss on this oil.

Senator TAFT. In considering the entire operation you do have to take an over-all loss, of course.

Mr. BLAU. Yes, Senator.

Senator TAFT. That relates primarily to Government supply?

Mr. BLAU. Yes, Senator.

Senator TAFT. What do you estimate that loss will likely be?

Mr. BLAU. About \$70,000,000, excluding rubber operations which will be described in somewhat greater detail if you desire. Those will include operations by the Rubber Reserve Corporation.

Senator TAFT. As to this item No. 1 you would put in what figure?

Mr. BLAU. \$70,000,000.

Senator MURDOCK. Does your organization have anything to do with the importation of bauxite?

Mr. BLAU. I will ask Mr. Jewett to answer that.

Mr. JEWETT. At the present time we have a very little. I would say in general that the majority of the importation has terminated as of the present time.

Senator MURDOCK. The importation of bauxite has now been discontinued?

Mr. GARDINER. It is limited to a very small proportion. We deal with the various people involved.

Senator MURDOCK. You mean that your bauxite importations through your organization is very small?

Mr. GARDINER. Very small.

Senator MURDOCK. There is, however, a rather large importation of bauxite by the aluminum industry?

Mr. GARDINER. That is correct.

Senator TAFT. Is it your general plan to turn back these purchasing and trade operations as soon as normal trading conditions return?

Mr. BLAU. Yes. We have turned back every commodity to the trade as soon as we possibly could, and we shall continue to do so.

We, Senator, frequently confer with people from the War Production Board and the War Food Administration, to determine whether the importation of commodities can be returned to the trade. We have no desire to continue in this business any longer than is necessary.

Senator MURDOCK. Proceed.

Mr. BLAU. The last paragraph of section 2 (e) of the Emergency Price Control Act of 1942, as amended, provides, that no Government corporation shall make any subsidy payments or buy any commodities for the purpose of selling them at loss after June 30, 1945, unless the money required for such subsidies or sale at a loss has been appropriated by the Congress for such purposes. The Foreign Economic Administration procures those materials which the War Production Board and the War Food Administration have directed it to obtain from abroad through the U. S. Commercial Company and in those cases where losses are sustained, the losses are borne by the Company. In order to continue to execute these directives for programs which involve the absorption of losses for the purpose of avoiding increases in ceiling prices, authorization from the Congress is now necessary.

S. 502, as introduced, does not adequately provide for the Foreign Economic Administration's foreign procurement program. It exempts from the last paragraph a section 2 (e) of the Emergency Price Control Act the operations of any 5d (3) corporation with respect to strategic and critical minerals and metals or petroleum and petroleum products during the fiscal year 1946.

The information furnished the subcommittee shows that in our foreign procurement program losses are anticipated on a number of materials which are not metals or minerals, nor petroleum or petroleum products. Yet these commodities which are excluded under S. 502 are of the utmost importance to the war effort. For instance many of the hard fibers, henequen, sisal, and other fibers are manufactured into rope or binder twine. The rope all goes to the armed forces. Binder twine is indispensable to the farmers for use in crop harvesting and baling purposes. Babassu oil is used for hydraulic brake fluid in airplanes and as a plasticizer. Linseed oil in paints, rapeseed oil as a lubricant for marine engines.

The last sentence of S. 502 limits subsidies and losses to \$450,000,000 in the aggregate for the fiscal year 1946. No provision is made for obligations incurred with respect to programs for the fiscal year 1945.

Finally, operations with respect to foreign procurement should have separately stated over-all limitation with some provision made for additional losses, presently unforeseeable.

A substitute for S. 502, prepared by representatives of the Reconstruction Finance Corporation, the Office of Economic Stabilization, the Office of Price Administration, and the Foreign Economic Administration has been submitted to the subcommittee. It adequately covers the points I have discussed.

I might say, in addition, Senator, that we interpret (a) of the suggested substitute precisely the same way that Mr. Goodloe said that the Reconstruction Finance Corporation did; in other words, we regard (a) as giving authority only to sustain losses on deliveries that we had expected during the fiscal year 1945, and not on deliveries that we plan for the fiscal year 1946.

Senator TAFT. Thank you. I am glad to have a statement bearing on those words because they are somewhat ambiguous, and I think that clarifies that situation.

Senator MURDOCK. Does that conclude your statement?

Mr. BLAU. It does.

Senator MURDOCK. Are there any questions?

Senator TAFT. I would just like to ask a question.

Senator MURDOCK. Senator Taft.

Senator TAFT. Do you have a further topic?

Mr. BLAU. There is a matter of rubber.

Senator MURDOCK. Mr. Gardiner, will you state your full name for the record?

Mr. GARDINER. Arthur Z. Gardiner, Chief of Foreign Procurement and Development Branch, Foreign Economic Administration.

Senator MURDOCK. The items upon which we have asked for additional information, do you believe it will be possible for you gentlemen to get that information now, if we excuse you presently, and return around 3 o'clock or 3:30?

Mr. GOODLOE. I would prefer 3:30.

Senator TAFT. If we can finish now with the question of rubber, and then return here at 3:30 that would be splendid.

Senator MURDOCK. It will be so ordered.

Whom do we have next?

Mr. GOODLOE. Mr. Johnson.

STATEMENT OF H. CLAY JOHNSON, VICE PRESIDENT AND GENERAL COUNSEL, RUBBER RESERVE COMPANY, AND MEMBER OF THE BOARD OF DIRECTORS AND GENERAL COUNSEL OF THE RUBBER DEVELOPMENT CORPORATION, WASHINGTON, D. C.

Mr. JOHNSON. Mr. Chairman and gentlemen, my name is H. Clay Johnson. I am vice president and general counsel of the Rubber Reserve Company; and member of the board of directors and general counsel of the Rubber Development Corporation.

Item (b) 2 in the proposed substitute for S. 502 covers anticipated losses in handling rubber and rubber products produced in foreign countries.

The proposed dollar limit for that is \$60,000,000.

I would like to explain that this limit covers the joint activities of both the Rubber Development Corporation and the Rubber Reserve Company, which must be taken in combination because of the fact that the Rubber Development Corporation handles the procurement of rubber in foreign countries, imports it and then sells it to the Rubber Reserve Company, which resells it and distributes it.

The losses incurred in this combination transaction are partly absorbed by the Rubber Development Corporation in the sale to the Rubber Reserve Company, and further absorbed in the sale by the Rubber Reserve Company to the rubber manufacturers.

Senator TAFT. That raises a question, Isn't there a subsidy on synthetic rubber which is made in this country?

Mr. JOHNSON. Senator, all synthetic rubber under the Government program is produced in Government-owned plants, and not purchased.

We have assumed that the provisions of the Emergency Price Control Act do not apply to the sale of any synthetic rubber which is produced in Government-owned plants.

Senator McFARLAND. You say Government-owned plants; isn't it a fact that this is done by contracts with various companies?

Mr. JOHNSON. Yes; but they are acting as agents of the Government. The plants are owned by the Government, and these various companies simply operate them for the benefit of the Government.

Senator McFARLAND. There is a big subsidy in it.

Mr. JOHNSON. The synthetic rubber is sold at price ceilings established by the Office of Price Administration, and those ceilings are, in some cases, below the actual cost of production at the present time.

Senator McFARLAND. The cost of this synthetic rubber is up rather high?

Mr. JOHNSON. At the present time, Senator, the cost is in excess of the prices at which we distribute it originally. However, I should explain that, unlike the case of other commodities which have been mentioned, in the case of rubber there is an arrangement between the Rubber Reserve Company and the War, Navy, Maritime Commission, and Treasury Department which provides for the recapture by the Rubber Reserve Company of 17½ cents per pound both for natural and synthetic rubber that goes into war orders—at the present time that accounts for approximately 60 percent of both types of rubber.

Senator TAFT. Your interpretation is that it does not apply to synthetic rubber because this last is produced in a manufacturing operation conducted by the Government itself?

Mr. JOHNSON. That is correct.

Senator TAFT. It is not a subsidy to anyone else.

Mr. JOHNSON. That is correct.

Senator TAFT. It is not produced for sale at a loss by purchase on your part from someone else?

Mr. JOHNSON. It is produced by the Government for sale. It is not purchased by us for sale, because it is produced by the Government in the first instance.

Senator TAFT. Precisely. Therefore, it is exempted from this act.

Mr. JOHNSON. That has been our interpretation.

Senator TAFT. I think that is probably correct.

Mr. JOHNSON. So this \$60,000,000 has no relation to synthetic rubber which is produced by the Government, but only applies to natural rubber purchases.

Senator TAFT. Can you tell us how much you are losing on synthetic rubber today?

Mr. JOHNSON. I do not have the figures here, but I will be glad to furnish them to the subcommittee. The loss varies according to the different types of rubber.

As you probably know, the principal constituent of general-purpose rubber GRS is butadiene, and when the butadiene is made from petroleum the cost is rather low, and when it is made from alcohol it is comparatively high. If you take the average of the two, there is still some loss.

We will be glad to submit a statement of the costs.

Senator TAFT. That would break it down into these divisions.

Mr. JOHNSON. That can be done.

Senator TAFT. That would be the direct cost of producing this rubber at the Government plants?

Mr. JOHNSON. That is correct.

(The following information was later received for the record:)

RUBBER RESERVE COMPANY,
Washington, D. C., March 13, 1945.

HON. ABE MURDOCK,
Senate Committee on Banking and Currency,
United States Senate, Washington, D. C.

DEAR SENATOR MURDOCK: In accordance with your request at the hearing held on March 5, 1945, before the subcommittee of the Senate Committee on Banking and Currency to consider S. 502 in relation to various Government subsidy programs, we are submitting the following information.

Rubber Reserve Company produces, sells, and distributes all of the natural rubber and the synthetic rubber produced in Government-owned plants. All of the plants in the synthetic rubber program were constructed under the auspices of Defense Plant Corporation (a subsidiary of Reconstruction Finance Corporation) at the request of Rubber Reserve Company, subject to a written indemnity agreement executed by Rubber Reserve Company, and title to the plants rests in Defense Plant Corporation. Fifty-one plants have been designed, constructed, and placed in operation, and there are 49 rubber, chemical, petroleum, and industrial companies participating in their operation under the supervision of Rubber Reserve Company. The estimated plant investment cost is in excess of \$700,000,000. Expenditures for materials, utilities, services, etc., are in the order of \$2,000,000 per day.

The first Government synthetic rubber was produced in May 1942 and prices were established and maintained through April 1, 1943, at a level which was believed to be compensatory of the Government's costs of production. When the synthetic rubber production reached large proportions in March 1943 consultations were had with representatives of the Office of Price Administration for the purpose of establishing new prices which would be satisfactory to the Office of Price Administration from the standpoint of wartime price-control measures. It was the view of the Office of Price Administration that the domestic rubber economy was geared to the established price of 22.5 cents per pound for natural rubber, and that the prices to be established for synthetic rubbers should bear a relationship to this price. In applying such standard to the prices for synthetic rubbers, the Office of Price Administration gave due recognition to the different characteristics of such rubbers, and the following prices were established to reflect the formulas adopted by the Office of Price Administration:

	Cents per pound
GR-S (butadiene-styrene-type rubber) -----	18½
GR-I (Butyl rubber) -----	15½

The representatives of the Office of Price Administration determined that it was not necessary to apply such price controls to synthetic rubbers going into the fabrication of products purchased by the various procurement agencies of the Federal Government, which agencies consist of the War Department, Navy Department, the Procurement Division of the Treasury Department (which makes all purchases for Lend-Lease), and United States Maritime Commission. After consultation with these procurement agencies, Rubber Reserve Company established an arrangement pursuant to which it would receive from each agency payments at the rate of 17½ cents per pound of natural or synthetic rubber used in products purchased by such agencies based upon consumption reports submitted to Rubber Reserve Company by the rubber manufacturing companies.

Consistent with this arrangement, effective as of July 1, 1943, the Office of Price Administration established a price of 27½ cents per pound for GR-M (neoprene rubber) used in civilian orders, and the Government procurement agencies were thereupon required to pay to Rubber Reserve Company the same differential of 17½ cents per pound for RG-M used in products purchased by such agencies.

As a result of this arrangement, a "two price" system came into being with the lower price in each case being applicable to synthetic rubbers used in products purchased by civilians and the higher price in each case being applicable to synthetic rubbers used in products purchased by the Government procurement agencies. Under the terms of the agreements entered into between Rubber Reserve Company and the Government procurement agencies, the higher prices

applicable to "war order" use of synthetic rubbers were intended to be compensatory of Rubber Reserve Company's costs of production. The prices applicable to "civilian order" use of synthetic rubbers have not been fully compensatory of Rubber Reserve Company's costs of production, and substantial losses have been incurred by Rubber Reserve Company with respect to the quantities of synthetic rubber so used.

In an undertaking as extensive as that engaged in by Rubber Reserve Company there is a lag in the receipt of all of the financial information required for the preparation of statements. As a consequence, the final statements for the year 1944 are not yet completed. It is believed that the information presented in the following paragraphs will be sufficient to meet the desires of the committee, since it covers the period from the start of operations in 1942 through November 30, 1944.

The cumulative deficit sustained by Rubber Reserve Company for the period under consideration amounts to \$97,230,389.48, exclusive of plant amortization charges, interest, and Washington office administrative expense. Plant amortization charges computed on a 5-year basis for the period referred to would aggregate \$160,153,270.02 which, when added to the cumulative deficit would make the total loss as of November 30, 1944, \$257,383,659.50.

A grand total of 1,844 million pounds of synthetic rubbers have been sold. The cost of producing rubbers has been 601 million dollars, excluding amortization. The total realization has been 507 million dollars, leaving an operating loss of 94 million dollars, to which approximately 3 million dollars has been added to cover the cost of miscellaneous items not allocated directly to the cost of production. The realization includes 98 million dollars in the form of premiums payable at the rate of 17.5 cents per pound on 561 million pounds of rubber used in the manufacture of war products.

A total of 1,672 million pounds of GR-S have been sold. The cost of production has been 553 million dollars, excluding amortization. The total realization has been 440 million dollars, leaving an operating loss of 113 million dollars. The realization includes 82 million dollars in the form of premiums payable at the rate of 17.5 cents per pound on 469 million pounds of GR-S used in the manufacture of war products.

A total of 145 million pounds of GR-M have been sold. The cost of production has been 38 million dollars, excluding amortization. The total realization has been 60 million dollars, leaving an operating profit of 22 million dollars. The realization includes 14 million dollars in the form of premiums payable at the rate of 17.5 cents per pound on 81 million pounds of GR-M used in the manufacture of war products.

A total of 27.3 million pounds of GR-I have been sold. The cost of production has been 10.5 million dollars, excluding amortization. The total realization has been 6.8 million dollars, leaving an operating loss of 3.7 million dollars. The realization includes 1.7 million dollars in the form of premiums payable at the rate of 17.5 cents per pound on 9.7 million pounds of GR-I used in the manufacture of war products.

The average cost of producing GR-S for the year 1944 was approximately 32 cents per pound, excluding amortization, interest, and Washington office administrative expense. Of the total production, approximately 64 percent was produced from butadiene manufactured from alcohol, and 36 percent was produced from butadiene manufactured from petroleum products. The present production schedule for the year 1945 is 1,973 million pounds. The cost of production for the year 1945 is dependent upon the varying costs of butadiene and other ingredient materials, particularly the wartime cost of grain alcohol used in substantial quantities to produce butadiene. About 55 percent of the 1945 production will be from alcohol butadiene. On this basis it is estimated that the average production cost of GR-S will be approximately 24 cents per pound, excluding amortization, interest, and Washington office administrative expense.

The average cost of producing GR-M for the year 1944 was approximately 24 cents per pound, excluding amortization, interest, and Washington office administrative expense. The present production schedule for the year 1945 is 123 million pounds. It is estimated that the average cost will be approximately 22 cents per pound, excluding amortization, interest, and Washington office administrative expense.

The average cost of producing GR-I for the year 1944 was approximately 25 cents per pound, excluding amortization, interest, and Washington office administrative expense. The present production schedule for 1945 is 119 million pounds. It is estimated that the average cost will be approximately 15 cents per

pound, excluding amortization, interest, and Washington office administrative expense.

The presently estimated production of all types of synthetic rubbers for the year 1946 is 2,634 million pounds.

As indicated in the course of Mr. Johnson's testimony at the aforesaid hearing on March 5, 1945, Rubber Reserve Company does not regard the Emergency Price Control Act of 1942, as amended, or S. 502 as being applicable to the Government's synthetic rubber program, inasmuch as the synthetic rubber sold by the Government is produced directly for its account in Government-owned plants. It is understood, therefore, that the foregoing information is for the purpose merely of acquainting your subcommittee with the cost aspects of that program, apart from its immediate consideration of S. 502 in the form presented at said hearing.

For your information we are attaching a schedule showing the estimated cost of producing GR-S under various conditions.

If we can be of any further assistance to you, please do not hesitate to call upon us.

Very truly yours,

S. T. CROSSLAND, *Executive Vice President.*

Rubber Reserve Company—Cost of producing GR-S under various conditions

[NOTE.—All costs expressed in cents per pound of GR-S product, excluding amortization]

	Cost of butadiene	Cost of styrene	Cost of conversion	Total cost
1. Present average cost—All plants.....	25.20	2.44	4.96	32.60
2. Present cost at lowest-cost project.....	4.90	1.34	4.96	11.20
3. Possible post-war cost using alcohol as source for butadiene (assuming use of styrene costing 5 cents per pound):				
Alcohol, at 90 cents per gallon.....	28.30	1.12	4.50	33.92
Alcohol, at 50 cents per gallon.....	16.78	1.12	4.50	22.40
Alcohol, at 30 cents per gallon.....	11.02	1.12	4.50	16.64
Alcohol, at 25 cents per gallon.....	9.58	1.12	4.50	15.20
Alcohol, at 20 cents per gallon.....	8.14	1.12	4.50	13.76
Alcohol, at 15 cents per gallon.....	6.70	1.12	4.50	12.32
Alcohol, at 10 cents per gallon.....	5.26	1.12	4.50	10.88
4. Possible post-war cost using butylenes as source for butadiene (assuming use of styrene costing 5 cents per pound):				
Butylene, at 10 cents per gallon.....	50.5	1.12	4.50	10.67
Butylene, at 8 cents per gallon.....	4.62	1.12	4.50	10.24
Butylene, at 6 cents per gallon.....	4.18	1.12	4.50	9.80
Butylene, at 4 cents per gallon.....	3.75	1.12	4.60	9.37

Senator TAFT. You are not figuring the depreciation on the plant, or the interest on the money, or anything like that?

Mr. JOHNSON. We have figured it both ways with amortization included and excluded.

Senator MURDOCK. I believe it would be very informative for the committee to have it; I see no reason for not having it go in unless there is some reason why it should not be presented.

Mr. JOHNSON. There is no reason for not bringing it in, or why it should not be disclosed, and we will do so.

Senator MURDOCK. Is there a great quantity of synthetic rubber going to lease-lend today?

Mr. JOHNSON. Not comparatively. The amount of synthetic rubber that will be produced during this year of 1945 will be just short of 1,000,000 tons. The synthetic rubber requirements for 1946 are 1,200,000 tons. Most of that goes directly into Army and Navy orders although substantial quantities are being exported through lend-lease both in the form of raw rubber and in the form of finished goods.

Senator TAFT. I think it is appropriate to put in the figure for the synthetic rubber, even though it is not included in the technical terms of the bill, but it is of the same nature of operation and really is a subsidy program.

Mr. JOHNSON. For the sake of the record, Senator, we would like it to be understood that we have not attempted to include in this figure any loss estimates for the synthetic-rubber program, which we have considered entirely separate.

Senator TAFT. I understand that.

Mr. JOHNSON. As I say, this \$60,000,000 figure covers the combination activities of both the Rubber Reserve Company, and the Rubber Development Corporation. The figure is based upon the gross cost of acquisition of natural rubber in each producing area. That gross cost includes an amortization factor for certain developmental expenditures that have been made in various producing areas.

For example, in the South and Central American countries the Rubber Development Company, as of the end of last year, had found it necessary to expend something in excess of \$117,000,000 for both base cost and developmental purposes. These are included in the total projected cost of acquiring rubber in those same countries, and divided by the expected tonnage from those areas, which gives an accounting figure of 72 cents per pound for all Central and South American rubber on an average basis over the whole program.

For Liberia—the Firestone plantations in Liberia—the cost is about 30 cents a pound.

For other African rubber the cost is about 28 cents a pound.

The Rubber Development Corporation also buys a substantial quantity of tires and tubes produced in Brazil. They are imported into this country and are resold to the Army, Navy, and Lend-Lease, and also some for civilian consumption.

Senator TAFT. Is there some loss on this Liberia rubber?

Mr. JOHNSON. There is a loss in the sense, Senator, that the average estimated cost landed in the United States of America is 30 cents per pound, and the distribution price—the base price—is 22½ cents per pound. So, there is a loss there only to that extent and due to that difference.

However, the Rubber Reserve Company, as I mentioned before, recoups and recovers 17½ cents per pound from the Army and Navy and Maritime Commission and the Treasury Department with respect to that quantity of rubber used directly in war orders, which is reported to us by the rubber manufacturing companies—which approximates 50 percent of the rubber that is brought into this country—that is, used for war purposes. On that there is this recapture in that amount, and it reduces our ultimate loss.

Senator TAFT. The big loss is on the Central and South American rubber?

Mr. JOHNSON. The cost of acquisition, with the amortization factor included for development, is 72 cents per pound which has been developed as a bookkeeping figure.

That includes developmental expenditures, amortized over the entire program and the entire expected tonnage for the full scope of our operations which extend through December 31, 1946. The Rubber Development Corporation has an over-all agreement with

each of the Central and South American countries in which rubber is produced which extends to and including December 31, 1946.

Senator TAFT. Did you pay Mr. Henderson's expenses when he first went down there in 1942?

Mr. JOHNSON. No, sir.

Senator TAFT. Is that a part of the developmental cost?

Mr. JOHNSON. No. By developmental cost we mean the establishment of transportation facilities in bringing the supplies up the Amazon River, and bring the rubber down, aviation facilities for the same purpose, furnishing the necessary supplies to the tappers, and all of the other various and sundry types of expenses in connection with the assistance that had to be rendered to the rubber producers, which was quite varied.

Senator TAFT. Roughly speaking, how much are we getting from Brazil today; how many tons?

Mr. JOHNSON. We estimate that for the fiscal year 1946 the imports from all of Latin America will be about 30,000 long tons, that is exclusive of guayule from Mexico which is estimated to be 11,000 tons.

Senator TAFT. Does the 30,000 tons coming from Brazil represent the total quantity, or does some of it come from elsewhere?

Mr. JOHNSON. It is principally from Brazil. About 20,000 tons comes from Brazil, about 10,000 tons comes from elsewhere.

Senator McFARLAND. What does that rubber cost that you get from Mexico, the guayule rubber?

Mr. JOHNSON. The price landed in the United States, is estimated by us to be 30 cents per pound.

Senator McFARLAND. 30 cents per pound?

Mr. JOHNSON. Excuse me, Senator, I mean 72 cents per pound, that is because we have estimated that the cost of all of the Central and South American rubber, including all of the developmental expenditures, and divided by the total production of rubber, rubber of all types, has averaged out that much.

We are paying for guayule rubber in Mexico 32 cents per pound.

Senator TAFT. What do you pay for the rubber in Liberia?

Mr. JOHNSON. That is 30 cents a pound, but Liberian rubber is a better grade. It is largely ribbed, smoked sheet rubber, whereas this guayule rubber has a resin in it, which makes it a more inferior grade.

Senator TAFT. The guayule rubber is not a good grade?

Mr. JOHNSON. It has to be deresinized, or mixed with other rubber to absorb the resin content.

On the tires and tubes program there is an estimated loss of \$5,000,000 for the fiscal year 1946.

Thus, after crediting the gross recoveries in the total amount of approximately \$41,000,000 on the final sale of natural rubber and tires and tubes during the fiscal year 1946—based upon distribution prices which have been established with the approval of the Office of Price Administration—and after crediting also an additional \$16,000,000 which we estimate will be recovered from the procurement agencies of the Federal Government as a recapture of a premium or surcharge based upon the amount of rubber consumed in war orders—after applying both of those credits against our gross expenditures for rubber and tires and tubes during 1946 of approximately \$108,000,000, we will have an estimated net loss of \$60,000,000, including a contingency allowance.

Senator TAFT. What is the situation in the case we get back into the Dutch East Indies?

Mr. JOHNSON. That, Senator, is a factor which is, of course, extremely conjectural at this time, and we found some difficulty in knowing whether to include any allowance for that.

Senator TAFT. You would not know whether the rubber trees would be destroyed or not? You could hardly know until you saw them.

Mr. JOHNSON. There has been no information based upon fact as to the condition of the trees, but there is informed opinion to the effect that the trees will be largely unharmed.

However, it is anticipated that it will be necessary to rehabilitate all of the processing machinery and equipment, which will require a sizable expenditure on the part of the producers.

Senator TAFT. And a delay in the time of actual production?

Mr. JOHNSON. We do not know at this time what price we will have to pay for foreign rubber when it comes into production, and if the price is substantially in excess of our base governmental distribution price, which is 22½ cents per pound, there will be presumably a substantial loss to be absorbed on top of the figures we have mentioned here.

Senator McFARLAND. That guayule rubber that was produced below the southern border of this country, how does that compare with the 72-cent price, and also, particularly, how does the guayule rubber which is produced in the United States compare with the 72-cent price?

Mr. JOHNSON. I assume, Senator, you are referring to the guayule rubber produced in the Salinas Valley under the experimental program conducted by the Department of Agriculture. The quality compares favorably, I believe, with the guayule production in Mexico.

Senator McFARLAND. Why aren't they expanding that program then?

Mr. JOHNSON. Largely, Senator, because of the time element. It requires approximately 5 years for the guayule shrub to reach maturity. Also, in the case of Hevea rubber, the trees may be tapped continuously over many years, whereas, with the guayule shrub, the entire shrub has to be dug up by the roots and mascerated in order to get out the rubber—and you must replenish it each time with a new crop.

Senator TAFT. I suppose you would rotate your planting a certain amount every year.

Mr. JOHNSON. Yes; but under wartime conditions, in view of our very short supply of natural rubber, we try to get it where it can be obtained more quickly.

We have included approximately \$10,000,000 as a contingency for losses which may be incurred in connection with the acquisition of far eastern rubber, but as to the nature of those losses and what they will be we cannot be sure.

Senator TAFT. That is included in the \$60,000,000?

Mr. JOHNSON. That is included in the \$60,000,000.

Senator MURDOCK. Does that conclude your statement?

Mr. JOHNSON. Yes, Mr. Chairman.

Senator MURDOCK. Any questions?

Senator TAFT. No.

Senator TAYLOR. No.

Senator McFARLAND. Not now. I take it we will have an opportunity for questions this afternoon at 3:30?

Senator MURDOCK. Yes. The committee will now rise to reconvene at 3:30 this afternoon.

(Whereupon, at 12:45 p. m., a recess was taken until 3:30 p. m. of the same day.)

AFTERNOON SESSION

(The committee reconvened at 3:30 p. m., upon the expiration of the recess.)

Senator MURDOCK. The committee will come to order, please.

Mr. Goodloe, are you ready to resume?

Mr. GOODLOE. Off the record.

Senator MURDOCK. Off the record.

(There was colloquy off the record.)

**STATEMENT OF JOHN D. GOODLOE, GENERAL COUNSEL, RECONSTRUCTION FINANCE CORPORATION, WASHINGTON, D. C.—
Resumed**

Mr. GOODLOE. With further reference to the discussion this morning with regard to the cost of the flour subsidy, I should like to explain some of the figures.

In the first place, the statement made this morning was erroneous that the Defense Supplies Corporation had paid \$7,500,000 on flour in the last month. Between December 31, 1944, and January 31, 1945, Defense Supplies Corporation paid out \$8,900,000; between January 31 and February 28, 1945, Defense Supplies Corporation paid out \$8,500,000. The amount paid out in February would be paid on January grind. Because of the use of sales, there is an average lag of about 2 months of rates behind grind. Consequently, the January grind would be paid for on an average at November rates. The rate of payment in November on all wheat was 18 cents a bushel.

An average rate of payment of \$8,500,000 a month is an annual rate of \$102,000,000. The rate during the fiscal year 1945-46 if parity remains unchanged, would be about 30 cents maximum; \$102,000,000 at the rate of payment during the month of February 1945 would reflect an average rate of payment for a fiscal year of \$170,000,000 if the rate of production of flour continues the same during that fiscal year.

Senator TAFT. Can you give us the barrel price of flour or the hundredweight, whatever it is you are trying to maintain?

Mr. GOODLOE. I will ask the gentleman from the Office of Price Administration to answer that.

We think that fully substantiates the estimate given this morning of \$190,000,000 for flour for the fiscal year ending June 30, 1946.

Mr. FIELD. Mr. Hefelbauer is here, and he will be glad to go into that flour situation further.

**STATEMENT OF RICHARD HEFELBAUER, ECONOMIC ADVISER TO
DEPUTY ADMINISTRATOR, OFFICE OF PRICE ADMINISTRATION,
WASHINGTON, D. C.**

Senator TAFT. What is the main reason for the doubling of the expenditure?

Mr. HEFELBAUER. The chief reason is increase in the payment rate.

Senator TAFT. Do you try to maintain a flat price of flour?

Mr. HEFELBAUER. Yes, sir.

Senator TAFT. What is that price?

Mr. HEFELBAUER. Per barrel, about \$6.70 in Minneapolis.

Senator TAFT. That is how much a hundredweight?

Mr. HEFELBAUER. That is \$3.34 per hundredweight.

Senator TAFT. And then as the price of wheat goes up, you pay the millers more so they can pay the increased prices of wheat. Is that right?

Mr. HEFELBAUER. Yes, to maximum of parity.

Senator TAFT. What do you figure the average of wheat at the miller's?

STATEMENT OF CHARLES McCCLAVE, ECONOMIST, OFFICE OF PRICE ADMINISTRATION, WASHINGTON, D. C.

Mr. McCCLAVE. The last rate was 27 cents. We will have that in a moment. About \$1.49 per hundredweight.

Senator TAFT. Is that the maximum price?

Mr. McCCLAVE. No; that is 3 cents under.

Senator TAFT. Maximum price of \$1.52?

Mr. McCCLAVE. Yes, sir.

Senator TAFT. What is this 4 cents that was mentioned this morning? A possible further increase, was it?

Mr. HEFELBAUER. The payment rate went from 27 cents to 30 cents and in addition if the price is pushing the ceiling the R. F. C. will allow a handling charge between the farm and the mill and there is also the possibility that parity may advance somewhat. The estimate is based on a 30-cent average price payment rate.

Senator TAFT. Is this \$1.52 parity?

Mr. HEFELBAUER. That is right.

Senator TAFT. That is even parity.

Mr. HEFELBAUER. Yes, sir.

Mr. McCCLAVE. The maximum rate without any mark-up for handling charges figures at 28 cents. The 2 cents which they talk about would increase that 28-cent maximum at our present ceiling level to 30 cents.

Senator TAFT. This \$3.34 per hundredweight, if there was no subsidy, would be \$3.70 or something like that.

Mr. McCCLAVE. Yes; it would come up.

Mr. HEFELBAUER. Twenty-seven cents per bushel for wheat translated into flour.

Mr. McCCLAVE. Would increase the price to 63 cents.

Senator TAFT. It would be about \$4 if you did not put the subsidy in. Is that it?

Mr. McCCLAVE. Yes, sir.

Senator TAFT. When you sell to lend-lease or the Army they get the \$3.34 price.

Mr. McCCLAVE. This subsidy is payable not only to wheat ground into flour, but to either domestic, or Army or lend-lease, but it goes into buying alcohol brits.

Senator TAFT. What about wheat sold to foreign nations?

Mr. HEFELBAUER. No subsidy.

Senator TAFT. What about flour sold to foreign nations?

Mr. HEFELBAUER. Yes; all flour ground has a subsidy.

Senator TAFT. France may be buying some now. I do not know.

Mr. HEFELBAUER. That would carry a subsidy.

Senator TAFT. All right, Mr. Goodloe, does that figure out exactly \$190,000,000 on that basis?

Mr. GOODLOE. Not quite. There is a little leeway in each. We would not want to disturb the \$190,000,000.

Mr. FIELD. I think it might be added we have reason to believe the Army take will be considerably larger. It has run about 12 percent. We are informed by the Army it will be materially increased, and very likely doubled.

Senator TAFT. However, that probably, in the case of flour, does not mean any cutting in the civilian supply.

Mr. HEFELBAUER. That is right. There is not capacity in the mills to take care of that.

Senator TAFT. That is the large wheat problem.

Mr. HEFELBAUER. Yes, sir.

Senator MURDOCK. All right, Mr. Goodloe.

Mr. GOODLOE. The other item unfinished in the morning hearing had reference to the last figure in S. 502, dealing with other commodities and materials produced in the United States.

I would like to give you an estimate as to that item and explain it very briefly, but first I desire to say in calculating that estimate I found that there is a fairly substantial item and several small ones still handled by the Defense Supplies Corporation and which have not been transferred to F. E. A., even though they are produced outside the United States. The principal one is molasses from Puerto Rico and Cuba, nearly all of which is brought in for alcohol production. The Defense Supplies Corporation handles the alcohol program. On molasses and a few other foreign commodities purchased by R. F. C. subsidiaries the loss for the fiscal year ending June 30, 1946, is estimated at \$10,000,000.

I have cleared with representatives of F. E. A., and since it is more logical, they are agreeable to including that \$10,000,000 under caption A of the bill, with reference to materials and commodities produced outside the United States.

Senator TAFT. Raising the 70 to 80.

Mr. GOODLOE. Raising the 70 to 80; yes.

Senator McFARLAND. \$80,000,000 for commodities.

Mr. GOODLOE. Outside the United States; yes.

If that is agreeable to the committee, then the figure for the other commodities produced in the United States would be roughly \$100,000,000 made up of the following principal elements:

Coal transportation, \$12,000,000.

Wheat pulp, \$3,000,000.

Calcium carbide, \$1,000,000.

Jewel bearings, \$500,000.

Metals and minerals other than the premium price plan, but direct payments, \$33,000,000.

Selling at less than market prices, \$18,970,000.

Purchases at above ceiling, \$12,867,000.

Losses from agency operations, that would include such operations as Colonial Mica, \$14,375,000.

Miscellaneous, \$15,000,000.

Senator TAFT. A leeway of 15 or so.

Mr. GOODLOE. About that.

Senator TAFT. That would make a total of \$1,468,000,000. That is what I figure it.

That covers all my questions, but Senator McFarland had his amendment.

Senator MURDOCK. Mr. Fuller, would you care to make a general statement?

Mr. FULLER. Not at this time, Senator.

Mr. PRITCHARD. Mr. Chairman, in connection with the figure \$1,400,000,000, I think the record should show of that approximately \$500,220,000 for nonfoods, and approximately 282 at the current rate, the Government took for foods, is subsidy which is simply a bookkeeping question, because it is a product which goes directly to the military or lend-lease and therefore is really not a subsidy. If that was subtracted it would be \$900,000,000.

Senator TAFT. I estimate it would be something less than a billion for the hold-the-line program.

We might also say that of the \$845,000,000 we appropriated for the Commodity Credit, a certain amount would go back to the Government?

Mr. PRITCHARD. A substantial sum. I do not have the latest computation on that. We can get that from the Commodity Credit Corporation and put it in the record, but it would be \$200,000 or \$300,000.

Senator TAFT. That is my figure.

Senator MURDOCK. Will you get that for us.

Mr. PRITCHARD. Yes, Senator.

Senator TAFT. So it would bring the program for the civilian hold-the-line program somewhere in the \$1,500,000,000 referred to by Mr. Bowles.

Mr. PRITCHARD. Mr. Bowles' \$1,500,000,000 was off. We are considerably under \$1,500,000,000 on that subsidy because \$400,000,000 to \$450,000,000 are nonfood subsidies.

Senator TAFT. You have on that subsidy \$845,000,000 Commodity Credit?

Mr. PRITCHARD. That is right.

Senator TAFT. Plus \$850,000,000 here, so that is \$1,700,000,000, and then you take off what food is sold to the Government.

Mr. PRITCHARD. That would be about \$282,000,000.

Senator TAFT. I know.

Mr. PRITCHARD. To the Government; \$282,000,000 R. F. C.

Senator TAFT. On that line, mostly meat.

Mr. FIELD. No; if I am correct, that figure of \$220,000,000 is, I believe, nonfood subsidies, and the \$282,000,000 is food subsidies and includes both Commodity Credit and R. F. C. subsidies.

Senator TAFT. That would make it \$1,418,000 net for food subsidies.

Senator MURDOCK. Did you finish, Mr. Goodloe?

Mr. GOODLOE. Yes, sir.

Senator MURDOCK. Did you give any consideration at all to the amendment proposed by Senator McFarland?

Mr. GOODLOE. No, sir; I read it following the hearing this morning. I do not think we are in position to comment on it other than to say it is a matter that should be cleared by the War Production Board and the Director of War Mobilization and Reconversion.

Senator MURDOCK. If there are no more questions we will excuse Mr. Goodloe.

Senator TAFT. I asked Mr. Murphy if he had any suggested changes on the question of phraseology.

Mr. MURPHY. I do have some; yes, sir.

Senator TAFT. I do not know that we need to make a record of them.

Senator MURDOCK. Have you submitted them to Mr. Goodloe?

Mr. MURPHY. He saw some of them.

I think, with one exception, they are all technical.

Senator TAFT. I do not think it is necessary to keep the hearings open for them.

Senator MURDOCK. All right, Mr. Field, we should be glad to hear from you.

STATEMENT OF RICHARD H. FIELD, GENERAL COUNSEL, OFFICE OF PRICE ADMINISTRATION, WASHINGTON, D. C.

Mr. FIELD. I have no prepared statement.

The Office of Price Administration is in favor of the substitute for S. 502, which was offered this morning. We did not, last year, as you know, Mr. Chairman, oppose the amendment providing that subsidies should be paid for only to the extent that funds were appropriated by the Congress for that purpose.

On principle, we felt then and still feel today, it is unassailable that Congress should control these expenditures, not only these, but any other expenditures.

We do feel that funds should be made available for the execution of the program with a sufficient margin to meet changing needs. We feel that the proposed substitute does this and that the figures presented this morning do allow sufficient leeway so that it is reasonably safe to rely upon them.

Of course, in each of these categories, it was felt necessary to make the figure high enough to be reasonably certain that, if, to take the case of meat the kill ran higher than expected, the program would not fail, and similarly in the case of other commodities.

Senator TAFT. You would hope, then, that the actual expenditure would be somewhat less than we have allowed here?

Mr. FIELD. We should hope that.

I should like to refer briefly to the discussion this morning, of Mr. Bowles' testimony. I looked over the record during the recess and it was clear from the record that he was discussing the supply of meat available to civilians, and also that he was discussing the calendar year 1945 and not the fiscal year beginning the 1st of July 1945.

We do believe that there will be an increased kill, both in beef and in hogs in that fiscal year, and if the committee is interested in further discussion of it, Mr. Madigan is here and will be glad to go into it, if you wish.

Senator MURDOCK. When you say you expect an increased kill, that is for the fiscal year 1946?

Senator TAFT. I think it may be interesting to have those figures. We may be asked on the floor for them, and we want to be prepared, if Mr. Madigan will give us the estimate of cost.

STATEMENT OF JOHN MADIGAN, ASSISTANT DIRECTOR, FOOD PRICE DIVISION, OFFICE OF PRICE ADMINISTRATION, WASHINGTON, D. C.

Mr. MADIGAN. My estimate at this time of the kill for next year, it has been open to a lot of questions. I think we do have this much evidence. In the case of hogs there is currently a definite tendency to hold back sows and gilts. That should give us an increase in the number of hogs by the first of next year, so most of us would feel for the fiscal year beginning July 1, 1945, and 12 months thereafter, there would be a larger number of hogs killed than during the current year, which is somewhat of a reaction from the previous high kill.

In the case of cattle, cattle numbers have been increased for a number of years until January 1 of this year they showed a slight decrease, about 400,000 head. The cattle numbers are higher than they have ever been in the history of the country, and they are no doubt pressing upon the range and feed supplies, and it would be normal to expect a liquidation in numbers from this point on. If there is a short grain crop or dry season, the liquidation may be very drastic. The War Food Administration asked for it last year and I am sure they are going to continue to ask for it this year.

So, I feel confident that the cattle killed to July 1, 1946, will be higher than during the current year.

Senator MURDOCK. Will that mean more beef?

Mr. MADIGAN. Yes. It means more beef. The heavy liquidation of range cattle will probably lead to heavier feeding. Without a good grain crop it will not lead to heavier feeding, but heavier numbers. I do not think there is much question the cattle killed will be somewhat more numerous.

Senator TAFT. We are continually told that the feeders will not feed and that cattle will be lighter because the feed lots will not be used.

Mr. MADIGAN. If the grain is there to be fed, and the cattle are coming off the range, the price will be low enough to make it practical for them to be fed. Incidentally, the number of cattle on feed as of January 1 this year was about 5 percent heavier than last year, and the movement of cattle to feed lots in January 1945 was about 26 percent more than last year.

Senator MURDOCK. You mean into feed lots as well as out?

Mr. MADIGAN. Yes, both ways.

Senator MURDOCK. So, what happened in December with reference to the change in the cattle program did not adversely affect the condition in the feed lots?

Mr. MADIGAN. One month would indicate it had not, but we want to watch that.

Senator TAFT. We also have to remember the threat to draft farm boys. I have a number of large advertisements from Ohio, people drafted in the Army are selling off the stock and closing up the farms. I have the newspapers with advertisements. Unless the Tydings amendment is passed, they are going to close down a considerable number of farms.

Mr. MADIGAN. We might point out in spite of the rather heavy current beef kill going on, the civilians are not getting any more than they did last year because of the increase in take of Government procurement agencies.

Senator MURDOCK. Is that all you have, Mr. Madigan?

Mr. MADIGAN. Yes, sir.

Senator MURDOCK. Mr. Field.

Mr. FIELD. I do not think I have anything more, Senator, except to point out in the case of figures already given by Mr. Pritchard in respect to the proportion of these subsidy payments which are on sales directly to the Government, that with the increased figures mentioned in this bill, if we do spend up to them, of course there will be a proportionate increase in the amount that goes directly to the Government. That will be particularly true with respect to flour, where it is expected, as I said earlier, that the Government take will be substantially greater than it has been in the past. We are now asking in this bill for \$850,000,000 for food subsidies to be paid by the Reconstruction Finance Corporation and its subsidiaries, which added to the \$845,000,000 provided in the Commodity Credit bill totals \$1,695,000,000, but of that, a very substantial portion will go directly to the Government.

Senator TAFT. Do I understand you estimate that at \$282,000,000—at least \$282,000,000?

Mr. FIELD. \$282,000,000?

Senator TAFT. Yes.

Mr. FIELD. If, for example, we spent by reason of the increased bill \$550,000,000 instead of \$480,000,000 on meat, the proportion taken by the Army would be, I think, the best estimate is 35 percent of that, and accordingly the Government would be a higher figure. Similarly with the other items, each one would go up, and the net would still be well within Mr. Bowles' figure of \$1,500,000,000.

Senator MURDOCK. Is that all?

(No response.)

Senator MURDOCK. Have you any questions, Senator Taft?

Senator TAFT. That is all.

Senator MURDOCK. Senator Taylor?

Senator TAYLOR. No, Mr. Chairman.

Senator MURDOCK. Senator McFarland, do you have any questions?

Senator McFARLAND. No, sir.

Senator MURDOCK. Mr. Pritchard, do you want to say anything more?

Mr. PRITCHARD. I do not have anything more, Mr. Chairman. We like the subsidy.

Senator MURDOCK. There is no objection to it?

Mr. PRITCHARD. No, sir; we urge it.

Senator MURDOCK. Gentlemen, we want to thank all of you for coming up.

The committee will now go into executive session.

(Whereupon, at 4:15 p. m., the subcommittee proceeded in executive session, at the conclusion of which the subcommittee adjourned.)

APPENDIX A

LETTER DATED FEBRUARY 24, 1945, FROM CHARLES B. HENDERSON, CHAIRMAN OF THE BOARD OF DIRECTORS OF THE RECONSTRUCTION FINANCE CORPORATION, TO SENATOR ROBERT F. WAGNER, CHAIRMAN OF THE SENATE BANKING AND CURRENCY COMMITTEE, CONCERNING THE BILL, S. 502

DEAR MR. CHAIRMAN: This is in response to your request dated February 9, 1945, for an expression of the views of the Reconstruction Finance Corporation as to the merits of S. 502 now pending before your committee.

The Honorable Jesse H. Jones in his letter to you of February 9, 1945, called attention to the need for legislation if the Congress desires a continuation after June 30, 1945, of the subsidies which are being paid by the Reconstruction Finance Corporation through certain of its subsidiaries. Enclosed with his letter was a statement showing as of October 31, 1944, the direct payments made to increase and maintain critical and strategic materials, and a statement also as of October 31, 1944, of those purchase and sale programs which have resulted in a net loss of \$100,000 or more.

The term "subsidy" has never been clearly defined and it is quite difficult for the Corporation, as to such purchase and sale programs, to determine which are and which are not subject to the provisions of the last sentence of section 2 (e) of the Emergency Price Control Act of 1942, as amended by the Stabilization Act of 1944.

We would interpose no objection to favorable consideration by the committee of S. 502. The amount of \$450,000,000, provided for operations with respect to critical and strategic minerals and metals and petroleum and petroleum products during the fiscal year ending June 30, 1946, appears to be adequate for those purposes insofar as Reconstruction Finance Corporation operations are concerned and is in substantial agreement with the Corporation's estimate, but we are not in a position to determine whether that amount would be sufficient to cover similar operations by the Foreign Economic Administration through U. S. Commercial Company. It should be made clear, however, that the amount provided for the fiscal year ending June 30, 1946, is limited to subsidy payments and purchases for the purpose of selling at a loss, made subsequent to June 30, 1945, and does not include any loss that may be sustained with respect to the sale of strategic and critical minerals and metals, petroleum and petroleum products purchased prior to June 30, 1945, and held in inventory on that date. To accomplish this we suggest that the last sentence of S. 502 be deleted and the following substituted in lieu thereof:

"Such corporations may, during the fiscal year ending June 30, 1946, make subsidy payments with respect to, or buy for the purpose of selling them at a loss, critical and strategic minerals and metals, and petroleum and petroleum products, provided such subsidies and losses shall not exceed \$450,000,000 in the aggregate."

S. 502 deals only with critical and strategic minerals and metals and petroleum and petroleum products. We believe, however, that the committee should give serious consideration to an amendment which would embrace all of the activities of the Reconstruction Finance Corporation which the committee considers affected by the last sentence of section 2 (e) of the Emergency Price Control Act of 1942, as amended. For the convenience of the committee we enclose a draft of a substitute for S. 502 which we believe should be considered. Officials of the Corporation would be pleased to appear before the committee and explain fully the proposed amendment as well as to give the committee full information concerning all of the activities of the Corporation which would be affected.

In view of the urgency of the request for this report we have not had opportunity to clear with the Bureau of the Budget and, therefore, cannot advise whether this report is in accordance with the President's program.

Sincerely,

SUBSTITUTE FOR S. 502

That the last paragraph of section 2 (e) of the Emergency Price Control Act of 1942, as amended by the Stabilization Extension Act of 1944, shall not apply during the fiscal year ending June 30, 1945, to the operations authorized to be performed pursuant to section 5d (3) of the Reconstruction Finance Corporation Act, as amended, with respect to any materials defined by the President as strategic

and critical materials within the meaning of section 5d of the Reconstruction Finance Corporation Act, as amended, except agricultural commodities or commodities manufactured or processed therefrom in whole or substantial part, intended to be used as food for human consumption. As to agricultural commodities or commodities manufactured or processed therefrom in whole or substantial part, intended to be used as food for human consumption, such corporations during the fiscal year ending June 30, 1946, may not make subsidy payments or incur losses in their purchases and sale in excess of \$———— in the aggregate.

"Amount estimated for agencies under Reconstruction Finance Corporation is \$876,000,000 but amount should include estimates for Foreign Economic Administration activities conducted through U. S. Commercial Company, which was transferred to Foreign Economic Administration by Executive order."

APPENDIX B

LETTER DATED FEBRUARY 27, 1945, FROM LEO T. CROWLEY, ADMINISTRATOR OF THE FOREIGN ECONOMIC ADMINISTRATION, TO SENATOR ROBERT F. WAGNER, CHAIRMAN OF THE SENATE BANKING AND CURRENCY COMMITTEE, CONCERNING THE BILL, S. 502

DEAR SENATOR WAGNER: The Reconstruction Finance Corporation several days ago submitted to the Committee on Banking and Currency a substitute for S. 502, a bill "To permit the continuation of certain subsidy payments with respect to strategic metals and minerals and petroleum and petroleum products."

The Reconstruction Finance Corporation substitute draft exempts from the last paragraph of section 2 (e) of the Emergency Price Control Act of 1942, as amended, operations with respect to strategic and critical materials as defined by section 5d (3) of the Reconstruction Finance Corporation Act, as amended. This provision would amply cover most of the activities of the 5d (3) corporations under the jurisdiction of the Foreign Economic Administration which might be construed to come within the scope of the last paragraph of section 2 (e) of the Emergency Price Control Act of 1942, as amended.

We also procure abroad pursuant to directives from other agencies certain commodities which are not technically strategic nor critical but which are necessary to the prosecution of the war. In this category fall certain agricultural commodities, which are produced pursuant to directives issued by War Food Administration or by War Food Administration and the War Production Board jointly under the authority of Executive Order 9385 of October 6, 1943. That Executive order transferred to the Foreign Economic Administration the functions and powers previously exercised by the War Food Administration and Commodity Credit Corporation relating to the purchase of food abroad. United States Commercial Company has been designated pursuant to that Executive order, as the foreign procurement agency for our food program.

Most of the agricultural commodities which are imported and sold in the United States, can be sold without loss to the Government. However, in a few cases, comparatively small losses are sustained which might be regarded as proscribed by the last paragraph of section 2 (e) of the Emergency Price Control Act of 1942, as amended.

I am, therefore, enclosing the Reconstruction Finance Corporation substitute with a modification which would exempt such operations from the last paragraph of section 2 (e) of the Emergency Price Control Act of 1942, as amended. The provision as now drafted has been discussed with representatives of the Reconstruction Finance Corporation and they are agreeable to it.

I will, of course, be glad to furnish the committee any further information it may desire.

The Bureau of the Budget has not advised me as to the relationship of the suggested legislation to the program of the President.

Sincerely yours,

REVISED SUBSTITUTE FOR S. 502

That the last paragraph of section 2e of the Emergency Price Control Act of 1942, as amended by the Stabilization Extension Act of 1944, shall not apply during the fiscal year ending June 30, 1946 to (1) *any commodities purchased abroad in the furtherance of the prosecution of the war*, (2) *nor to the operations authorized to be performed pursuant to section 5d (3) of the Reconstruction Finance Corporation Act, as amended, with respect to any materials defined by the President as strategic and critical materials within the meaning of section 5d of the Reconstruction Finance Corporation Act, as amended, except agricultural commodities manufactured or processed therefrom in whole or substantial part, intended to be used as food for human consumption.* As to agricultural commodities or commodities manufactured or processed therefrom in whole or substantial part, intended to be used as food for human consumption, such corporations during the fiscal year ending June 30, 1946 may not make subsidy payments or incur losses in their purchase and sale in excess of \$———— in the aggregate.

NOTE.—Italicized language represents changes made in Reconstruction Finance Corporation substitute for S. 502.

APPENDIX C

EXPLANATORY STATEMENT OF JOHN D. GOODLOE, GENERAL COUNSEL, RECONSTRUCTION FINANCE CORPORATION

MEAT

The meat subsidy started June 7, 1943, to make it possible for the Office of Price Administration to roll back the prices of dressed meat. Payments are made to slaughterers who slaughtered more than 2,500 pounds a month, on live weight of the animals. The original rates were \$1.10 per hundredweight on cattle and calves; 95 cents on sheep and lambs; \$1.20 on hogs and pigs. No changes in the rates have been made to affect payments on hogs, sheep, or calves.

The subsidy was changed on cattle by a Directive of the Office of Economic Stabilization October 26, 1943, which set up the so-called cattle stabilization plan. Under this plan payments were made on cattle according to the grade. AA, \$1 per hundredweight, A, \$1.45 per hundredweight; B, 90 cents per hundredweight; C, cutter and canner and bologna bulls, 50 cents per hundredweight.

The cattle stabilization program involved also price compliance with a so-called floor and ceiling on livestock which consisted of prices by zones certified to Defense Supplies Corporation by the O. P. A. and the W. F. A. Every slaughterer who slaughtered more than 25,000 pounds of cattle per month was required to report his cost of cattle. The amount that this cost of cattle exceeded his maximum permissible payment or was below his minimum permissible payment, was deducted from the amount of his claim.

Under the directive of January 19, 1945, of the Office of Economic Stabilization, the rates on cattle were changed to \$2 on AA, \$1.95 on A. On the lower grades the rates remained the same. The price compliance provisions as to livestock stayed the same in essentials, although the livestock prices on AA and A were increased. Since the directive, the minimum slaughter which requires an applicant to report his cost of cattle was raised from 25,000 pounds to 50,000 pounds including both cattle and calves. Under the Directive of the O. E. S. of January 30, 1945, subsidy payments on cattle, calves, and hogs are limited to a certain percentage of the amount of slaughter for which applicant filed a claim for subsidy in the corresponding month in 1944 if the slaughter is not performed in a federally inspected establishment. The W. F. A. provides the percentages which may change from time to time. At the present time, they are 100 percent on cattle and calves and 50 percent on hogs.

There is also an extra compensation program in connection with the cattle-stabilization program. This provides for payments of 80 cents per hundredweight on cattle to nonprocessing unaffiliated slaughterers who sold in 1942 and who currently sell 98 percent or more

of the beef produced from their cattle slaughter in the form of carcasses, wholesale cuts, boneless beef, and ground beef.

On recent reduced volume of meat production, subsidy payments are averaging about \$37,000,000 a month; during previous months the average was nearer \$40,000,000 or \$480,000,000 a year. The hog crop in 1945-46 will undoubtedly be very large as a consequence of the current very high hog prices. If the crop is up to expectation, \$60,000,000 extra will be needed for the increased hog payments.

The subsidy rates on cattle have recently been increased, with an expected increase in cattle payments of about \$59,000,000 a year. If the present rates remain unchanged and present estimates of slaughter volume are correct, the cost of the meat subsidy would be about \$560,000,000 in the fiscal year 1945-46.

BUTTER

Subsidy payments are made to operators of plants manufacturing dairy products on the amount of the butter produced each month to compensate them for a reduction in butter prices under Office of Price Administration regulations. Payments are made at the rate of 5 cents per pound both on ordinary butter and process butter.

This program was effective June 1, 1943, and has continued in effect without change from the beginning of the program.

The payments on butter during the first 18 months averaged \$6,500,000 a month. If butter production is at the same volume during the fiscal year 1945-46, the cost of the subsidy would be \$78,000,000. Butter production has been very low in 1944 and 1945, and is expected to continue low through 1945. It may well, however, recover in the first half of 1946 even if the war still continues, if War Food Administration's current attempt to encourage production are successful. Normal production during the first half of 1946 would increase the cost of the subsidy by \$6,000,000 for the year.

The original estimate of the Office of Price Administration of the cost of the butter subsidy for a fiscal year was \$100,000,000, on the basis of normal production. For the calendar year 1945, butter production is now expected to be no more than 1½ billion pounds, indicating a subsidy of \$75,000,000; this, of course, is minimum expectation and is the amount that is actually allocated in advance for consumption.

The minimum we could safely estimate for the fiscal year 1945-46 this far in advance on the assumption neither part of the war will end before December 1945, would be \$90,000,000 for butter; \$100,000,000 would undoubtedly be sufficient for all contingencies, including early end of the war.

FLOUR

The flour subsidy started December 1, 1943. The payments made to mills on the wheat ground into flour compensate them for the difference between market prices for wheat and the wheat cost on which the Office of Price Administration flour ceilings are based. The rates of payment vary monthly with the wheat market. While payments are on production, the applicable month's rate is determined for large mills by the date the flour was sold. Small mills are

entitled to payment at the rates in effect during the month of grind to enable them to avoid bookkeeping problems.

Because of the use of flour sales to determine which month's rate is applicable, deductions were made at the beginning of the program on sales made before December 1, 1943. Sales of flour are the almost exact equivalent of the wheat which has been purchased by the mill. Consequently, no payments were made on wheat purchased before the program began. On termination of the program, we will pay on wheat purchased during the subsidy period by payments on flour sold in an amount not greater than the deduction at the beginning of the program provided the wheat was ground within 120 days after termination.

The production of flour is estimated to continue at about present high levels and the wheat crop is expected to be large enough to take care of full demand. For a flour production of 265,000,000 hundred-weights (a little below the calendar year 1944) about 622,000,000 bushels of wheat would be used. The subsidy rate varies with the wheat market, and if wheat stays at full ceilings with parity unchanged, would average about 30 cents a bushel. The maximum cost of the subsidy for the fiscal year 1945-46 would be \$190,000,000 on these assumptions. If the price of wheat is not at full ceilings, but at present levels, the cost would be about \$162,000,000.

In the calendar year 1944, payments averaged about \$8,600,000 a month. During that year wheat ceilings were 4 cents lower than at present and the bumper wheat crop forced wheat prices well below ceilings with the subsidy rates correspondingly lower. Rates varied from 0 to 18 cents on soft wheat and from 11 to 25 cents on hard wheat.

The minimum cost we could properly estimate to safeguard the industry would be \$162,000,000 for flour for the fiscal year 1945-46, if there is no change in parity. \$190,000,000 should be sufficient to keep wheat at ceiling prices if there is no change in parity.

PETROLEUM AND PETROLEUM PRODUCTS

It is estimated that \$290,000,000 will be required for the fiscal year ending June 30, 1946, as follows:

Petroleum Compensatory Adjustments Regulation No. 1.—Under this program oil companies are compensated for the extra costs involved in transporting petroleum and petroleum products from Petroleum Administration for War district No. 2 and Petroleum Administration for War district No. 3 into Petroleum Administration for War district No. 1 by tank car, pipe line, or other substitute methods of transportation as compared with normal transportation by tanker. The purpose of the program is to maintain a steady and adequate flow of petroleum and petroleum products into the Atlantic-coast area and to maintain existing price structures.

The program was initiated on August 1, 1942, and was recommended by the Petroleum Administration for War, the Office of Price Administration, the War Department, the Navy Department, and the Office of Defense Transportation. It is difficult to estimate the amount of payments which may be made by the Corporation in connection with

the programs during any period inasmuch as, in many instance, payments by the Corporation under the program are netted against revenues received by claimants as a result of specific increases in ceiling prices of certain petroleum products which were authorized by the Office of Price Administration for the purpose of providing compensation for the higher transportation costs involved in shipping petroleum and petroleum products over land to points in Petroleum Administration for War district No. 1 as compared with shipments by ocean-going tankers. In this connection it is estimated that the net loss under the program during the fiscal year ending June 31, 1946, will be in the amount of approximately \$150,000,000.

Petroleum compensatory adjustments regulation No. 5.—Under this program refiners are compensated for extra transportation costs involved in shipping crude oil by tank cars or barges from points in Petroleum Administration for War district No. 3 and certain Wyoming points in Petroleum Administration for War district No. 4 to destinations in Petroleum Administration for War district No. 2. Under the program shipments by pipe lines are considered to be the normal means of transportation between the points involved and the extra transportation costs payable by Defense Supplies Corporation are the costs of shipments by tank car or barge in excess of the cost of normal pipe line shipments. The purpose of the program is to provide Petroleum Administration for War district No. 2 refiners with an adequate supply of crude oil to maintain maximum production for war and essential civilian uses.

The program was initiated on December 1, 1943, and was sponsored by the Office of Price Administration, the Petroleum Administration for War and the Office of Defense Transportation.

It is estimated that Defense Supplies Corporation will make payments under the program during the fiscal year ending June 30, 1946, in the amount of approximately \$20,000,000.

Stripper-well compensatory adjustments program.—The program is designed to maintain and possibly increase the national production of crude oil. The Office of Price Administration, by increasing the maximum prices of crude produced from fields averaging less than nine barrels daily, per well, makes it economically practical for producers to continue the recovery of crude, to undertake clean-outs and repairs and delay abandonment of old wells. By making premium payments to the first purchasers of crude, the maximum prices for which have been increased, and to the producers of such crude, which is not sold but which is otherwise utilized by the producers, Defense Supplies Corporation maintains the national market price on crude.

The program was initiated in August 1944 and was sponsored by the Office of Economic Stabilization, the Office of Price Administration and the Petroleum Administration for War.

It is estimated that the payments by Defense Supplies Corporation under the program during the fiscal year ending June 30, 1946, will be approximately \$75,000,000.

Movement of crude from west Texas to California.—Under this program Defense Supplies Corporation pays to purchasers certain excess charges involved in the movement of crude petroleum from west Texas to California over and above the laid-down cost in California of comparable crude petroleum.

The program was initiated in December 1944, and at that time it was contemplated that Defense Supplies Corporation would enter into 5 or 6 contracts thereunder under which it was estimated that a maximum of 20,000 barrels of crude petroleum per day would be purchased and shipped. In this connection, however, the Petroleum Administration for War is currently considering recommending to the Corporation that the daily purchases and shipments be increased to 50,000 barrels per day. At this rate, it is estimated that Defense Supplies Corporation will disburse approximately \$45,000,000 under the program during the fiscal year ending June 30, 1946.

PREMIUM PRICE PLAN FOR COPPER, LEAD, AND ZINC

On January 12, 1942, the Federal Loan Administrator announced that at the request of O. P. M. and O. P. A. Metals Reserve Company would stimulate the production of domestic copper, lead and zinc through paying a higher price for those metals for production in excess of 1941 output, terms of the plan to be announced later. As made effective February 1, 1942, for a period of not to exceed 30 months from that date, the premium price plan for copper, lead, and zinc—the name by which the program is known—provided for the payment by M. R. C. of a premium on all domestic production of those metals in excess of monthly quotas established by W. P. B. and O. P. A. and approved by M. R. C. which would reflect the difference between the respective ceiling prices for the materials involved and the equivalent of 17 cents per pound Connecticut Valley for copper, 9½ cents per pound New York for lead and 11 cents per pound East St. Louis for zinc, subject to prior termination in event of the end of the National Emergency prior to July 31, 1944, upon terms specified in M. R. C.'s public announcement of March 7, 1942. On the basis of existing ceiling prices, which have not changed during the life of the plan, the basic or A premiums are 5 cents per pound on copper, and 2½ cents per pound on lead and zinc, respectively.

On January 9, 1943, pursuant to joint W. P. B.-O. P. A. recommendation, the effective period of the plan was extended for an additional year or until July 31, 1945, to aid in insuring the maintenance of maximum necessary production of premium metals for use in the war effort. All other terms remained unchanged.

In February 1943, the plan was broadened to cope with changing economic conditions in the lead-and-zinc industry so as to afford an additional premium for lead—called a B premium—and additional premiums for zinc—B and C premiums—upon joint recommendation of W. P. B. and O. P. A. Under such arrangement the maximum premium payable on lead was 5½ cents per pound and the maximum premium payable on zinc was 8½ cents per pound. Such additional premiums—over the basic A premiums—were payable on quotas which were made available only in those special cases where the basic A premiums would not provide adequate revenue to obtain the maximum necessary production.

In April 1943, O. P. A. and W. P. B. advised that to insure maximum necessary production of copper, it would be necessary, due principally to increased labor costs, to arrange in a number of special cases for the payment of premiums for copper higher than those then available.

Arrangements for payment thereof were promptly approved, the additional premium—over the basic A premium of 5 cents per pound—to be specified in each case granted a special copper quota.

All additional premiums were made subject to cancellation upon prior notice.

The following chart lists the various quotas and premiums available under the plan:

A quotas: Deduct ceiling price from zinc, East St. Louis, 11 cents; lead, New York, $9\frac{1}{4}$ cents; copper, Connecticut Valley, 17 cents.

B quotas: Deduct ceiling price plus A premium from zinc, East St. Louis, $13\frac{3}{4}$ cents; lead, New York, 12 cents.

C quotas: Deduct ceiling price plus A and B premiums from zinc, East St. Louis, $16\frac{1}{2}$ cents.

Special copper quotas to be specified for each mine.

At existing ceiling prices of $8\frac{1}{4}$ cents per pound East St. Louis for zinc, $6\frac{1}{2}$ cents per pound New York for lead, and 12 cents per pound Connecticut Valley for copper, premium rates are as follows:

On production in excess of A quotas, zinc, $2\frac{3}{4}$ cents; lead, $2\frac{3}{4}$ cents; copper, 5 cents.

On production in excess of B quotas, zinc, $2\frac{3}{4}$ cents; lead, $2\frac{3}{4}$ cents.

On production in excess of C quotas, zinc, $2\frac{3}{4}$ cents.

On production in excess of special copper quotas, as specified.

Explanation: The fundamental purpose of the plan was to stimulate domestic production of the premium metals. Production from marginal properties was encouraged and operators were compensated by the premiums for the extra costs involved in bringing out the additional metal output. To compensate for increased costs, wage increases and the necessity for mining lower grades of ore, additional premiums were provided, so as to insure the maintenance of the requisite production. From the viewpoint of price control, the plan has avoided the necessity for general price increases for the commodities, with a consequent over-all savings to the Government, which, being the purchaser in one form or another of a large part of the production of the metals under war conditions, would have had to absorb such price increases.

A brief statement of the mechanics of the plan follows:

All quotas are assigned by the quota committee composed of W. P. B. and O. P. A. representatives, based on an analysis of sworn data submitted by the producer. Such quotas are subject to approval by reviewing officers of W. P. B., O. P. A., and M. R. C. and upon approval make the producer eligible for the premiums specified therein upon his compliance with M. R. C. requirements. Monthly payments are effected through the processing plants receiving the materials—which purchase the products for their own account—such plants acting as agents for M. R. C., on the basis of sworn affidavits by the producers. To facilitate receipt of funds by producers, a procedure exists whereunder preliminary payments are made by the agents following delivery of the material. Final payments are effected after check of full data by the M. R. C. Washington office, except in the tri-State district—Missouri, Kansas, and Oklahoma—where, due to special conditions affecting that area only, payments are made through the Federal Reserve Bank of Kansas City. A financial statement is attached giving a break-down of premium payments made through

the month of February 1945, and showing the amount of metals produced during the period February 1, 1942, through February 26, 1945, on which the premiums were paid.

The Emergency Price Control Act of 1942, as amended, authorizes this subsidy program, and the determinations required by section 2 (e) thereof have been duly made by the Federal Loan Administrator (Secretary of Commerce) and approved by the President.

Estimate for fiscal year ending June 30, 1946. In the event that the Congress passes the requisite enabling legislation it is proposed to extend the premium price plan, with certain modifications, through June 30, 1946. Full details as to the exact terms of the extension have not as yet been crystallized by W. P. B., O. P. A., and M. R. C., but agreement thereon is anticipated shortly. Estimated costs of this extension are: Copper premiums, \$33,000,000; lead premiums, \$15,000,000; zinc premiums, \$40,000,000; total premiums, \$88,000,000.

The proposed extension is predicated upon the continuing heavy requirements for the metals, copper, and lead being in a particularly tight position, and the need for maintenance of an adequate quantity of production in the face of high costs of operation and shortage of manpower.

(The matter referred to follows:)

Metals Reserve Company, monthly premiums paid on excess production of copper, lead, and zinc

Month paid	Copper		Lead	
	Pounds	Amount	Pounds	Amount
1942 total.....	101, 239, 028. 20	\$5, 061, 951. 38	122, 193, 860. 08	\$3, 267, 344. 22
1943 total.....	476, 117, 262. 79	25, 209, 046. 59	234, 586, 292. 05	9, 426, 642. 68
1944 total.....	477, 983, 949. 48	27, 089, 551. 72	411, 321, 217. 88	13, 586, 994. 35
1945—				
January.....	27, 391, 855. 00	1, 682, 520. 66	33, 718, 413. 00	1, 116, 170. 44
February.....	39, 411, 094. 00	2, 349, 143. 90	42, 786, 546. 30	1, 402, 923. 66
1945 total.....	66, 802, 949. 00	4, 031, 664. 56	76, 504, 959. 30	2, 519, 094. 10
Grand total through Feb. 28, 1945.....	1, 122, 143, 189. 47	61, 392, 214. 25	894, 606, 329. 31	28, 800, 075. 35

Month paid	Zinc		Total payments
	Pounds	Amount	
1942 total.....	359, 792, 826. 78	\$8, 839, 938. 74	\$17, 169, 234. 34
1943 total.....	766, 433, 660. 80	29, 367, 540. 08	64, 003, 229. 35
1944 totals.....	949, 702, 940. 70	40, 923, 090. 00	81, 599, 636. 07
1945—			
January.....	71, 533, 261. 89	2, 836, 699. 21	5, 635, 390. 31
February.....	62, 673, 168. 85	2, 590, 718. 87	6, 342, 786. 43
1945 total.....	134, 206, 430. 74	5, 427, 418. 08	11, 978, 176. 74
Grand total through Feb. 28, 1945.....	2, 210, 135, 859. 02	84, 557, 986. 90	174, 750, 276. 50

13. ECONOMY. Received a Mont. Legislature memorial urging enactment of S. J. Res. 8, establishing a procedure for balancing Federal spending and income (p. 1922).
14. MINERALS. Banking and Currency Committee reported, with amendments, S. 502, permitting the continuation of certain subsidy payments with respect to strategic minerals and metals and petroleum and petroleum products. (S. Rept. 86) (p. 1922).
15. PERSONNEL. Sen. Byrd, Va., criticized the Government's "hoarding" of manpower and included his American Magazine article on this subject (pp. 1927-9).
16. ADJOURNED until Mon., Mar. 12 (p. 1956). Majority Leader Barkley announced that the two appropriation bills will "be taken up as soon as possible" (p. 1955).

BILLS INTRODUCED

17. TRANSPORTATION. H. R. 2536, by Rep. Bulwinkle, N. C., to amend the Interstate Commerce Act with respect to certain agreements between carriers. To Interstate and Foreign Commerce Committee. (p. 1993.)
18. CLAIMS. H. R. 2537, by Rep. Randolph, W. Va., to confer jurisdiction upon the Court of Claims and U. S. District Courts for damages resulting from the operation of U. S. aircraft. To Judiciary Committee. (p. 1993.)
19. SUBSIDIES. H. R. 2539, by Rep. Harless, Ariz., to permit continuation of certain subsidy payments and certain purchase and sale operations by corporations created by the RFC Act, Sec. 5d (3). To Banking and Currency Committee. (p. 1993.)
20. OHIO VALLEY AUTHORITY. H. R. 2540, by Rep. Bender, Ohio, to establish an OVA to provide for unified water control and resource development, for flood control, navigation, reclamation of public lands, promotion of family-type farming. To Rivers and Harbors Committee. (p. 1993.) Remarks of author (p. 1961).
21. EMPLOYEES COMPENSATION. S. 714, by Sen. Murray, Mont., to amend the Employees' Compensation Act. To Education and Labor Committee. (p. 1922.)
22. EDUCATION. S. 717, by Sen. Mead, N. Y. (for himself and Sen. Aiken, Vt.), to authorize the appropriation of funds for education and grants-in-aid. To Education and Labor Committee. (p. 1922.)
- 22a. PERSONNEL. H. R. 2497 (see Digest 41) provides the following as permanent legislation: Authorizes permanent time-and-a-half overtime pay for employees with basic pay less than \$3,800, and authorizes overtime pay of \$1,140 (per 416 hours) for \$3,800 employees, with such pay decreasing gradually until \$654 would be paid to personnel at \$6,500 and over. Authorizes compensatory time off for irregular or occasional overtime work by per annum employees, without restriction as to the period within which the time off is to be allowed. Requires a 10-percent pay differential for night work. Requires time-and-a-half pay for holiday work. Authorizes the Civil Service Commission to establish minimum and maximum pay rates within grades. Permits administrative promotions every 12 and 18 months rather than every 18 and 30 months, and provides for them at the beginning of a month rather than a quarter. Authorizes an additional one-step administrative promotion, between periods, for superior accomplishments.

ITEMS IN APPENDIX

23. FOREIGN POLICY. Sens. Butler, Nebr., and Brewster, Maine, inserted their addresses on America's foreign policy (pp. A1155-6, A1162-4).
Rep. Lane, Mass., inserted a constituent's letter discussing America's foreign policy after the war (p. A1156).
24. ECONOMY; BANKING AND CURRENCY. Rep. Spence, Ky., inserted a Washington Post editorial discussing the Bretton Woods agreement and cooperation in world economy (p. A1158).
25. ARKANSAS RIVER AUTHORITY. Rep. Cravens, Ark., inserted C. F. Byrns' Fort Smith Times-Record article opposing an Arkansas Valley Authority (pp. A1161-2).
26. FLOOD CONTROL. Extension of remarks of Rep. Jenkins, Ohio, commending the successful flood control at Ironton, Ohio, and expressing the hope that the Ohio Valley can be further benefited after the war (pp. A1161-2).
27. CARTELS. Rep. Voorhis, Calif., inserted portions of H. W. Ambruster's article on control of cartels (pp. A1164-66).
28. LEND-LEASE. Rep. Chipperfield, Ill., inserted the minority views on H. R. 2013, providing for the extension of lend-lease until 1949 (pp. A1174-5).
29. MILITARY TRAINING. Rep. Cochran, Mo., inserted a St. Louis Star-Times editorial opposing the consideration of compulsory military training at the present time (p. A1177).
30. FARM MACHINERY. Extension of remarks of Rep. Reed, N. Y., including a hardware firm's advertisement, on the shortage of farm machinery (pp. A1178-9).
31. BUREAUCRACY. Extension of remarks of Rep. Earthman, Tenn., including an editorial, criticizing OPA's administration relative to the lumber industry (p. A1176).
32. DAIRY INDUSTRY. Rep. Byrnes, Wis., inserted a Grade A News editorial discussing the present butter consumption relative to the post-war dairy industry (p. A1176).

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For supplemental information and copies of legislative material referred to, call Ext. 4654, or send to Room 112 Adm. Arrangements may be made to be kept advised, routinely, of developments on any particular bill.

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COMMITTEE-HEARINGS ANNOUNCEMENTS FOR March 9: S. Banking and Currency, OPA extension; H. Agriculture, farm credit; H. Insular Affairs, Puerto Rican sugar.

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United States
of America

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PROCEEDINGS AND DEBATES OF THE 79th CONGRESS, FIRST SESSION

Vol. 91

WASHINGTON, THURSDAY, MARCH 8, 1945

No. 44

Senate

(Legislative day of Monday, February 26, 1945)

The Senate met at 12 o'clock meridian, on the expiration of the recess.

Rev. Bernard Braskamp, D. D., pastor, Gunton Temple Memorial Presbyterian Church, Washington, D. C., offered the following prayer:

O Thou who art the light of all that is true, the strength of all that is good, and the glory of all that is beautiful, from whom to turn away is to fall, but in whom to trust is to find courage and victory, we thank Thee for this day.

Grant that as faithful stewards we may use every hour in such a way that Thou canst hallow it with Thy benediction. May there be nothing in this day's work of which we shall be ashamed when the sun has set or at the eventide of life when Thou dost call us to Thyself.

Show us how our beloved country, so richly endowed by Thy grace, may be the unimpeded channel through which there shall flow, as a mighty stream, the blessings of freedom for the oppressed, enlightenment for those who walk in darkness, joy and hope for the weary and heavy laden.

We pray that our President, our Vice President, and all the chosen representatives of our Republic may be the honored instruments of the Lord whereby the spirit of good will and brotherhood shall be mediated to the heart of humanity.

In Christ's name we offer our praise and petitions. Amen.

THE JOURNAL

On request of Mr. BARKLEY, and by unanimous consent, the reading of the Journal of the proceedings of Wednesday, March 7, 1945, was dispensed with, and the Journal was approved.

MESSAGES FROM THE PRESIDENT

Messages in writing from the President of the United States submitting nominations were communicated to the Senate by Mr. Miller, one of his secretaries.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Chaffee, one of its reading clerks, announced that the House had passed a bill (H. R. 2277) to insure adequate nursing care for the armed

forces, in which it requested the concurrence of the Senate.

ENROLLED BILL SIGNED

The message also announced that the Speaker had affixed his signature to the enrolled bill (S. 214) to provide reimbursement for personal property lost, damaged, or destroyed as the result of an explosion at the naval mine depot, Yorktown, Va., on November 16, 1943, and it was signed by the President pro tempore.

EXECUTIVE COMMUNICATIONS, ETC.

The VICE PRESIDENT laid before the Senate the following communications and letters, which were referred as indicated:

SUPPLEMENTAL ESTIMATES, NATIONAL ADVISORY COMMITTEE FOR AERONAUTICS (S. Doc. No. 27)

A communication from the President of the United States, transmitting three supplemental estimates of appropriations, fiscal year 1945, amounting to \$10,307,500 for the National Advisory Committee for Aeronautics (with an accompanying paper); to the Committee on Appropriations and ordered to be printed.

SUPPLEMENTAL ESTIMATES, FEDERAL POWER COMMISSION (S. Doc. No. 26)

A communication from the President of the United States, transmitting two supplemental estimates of appropriations, fiscal year 1946, amounting to \$80,000 for the Federal Power Commission, in the form of an amendment to the Budget for that fiscal year (with an accompanying paper); to the Committee on Appropriations and ordered to be printed.

PERSONNEL REQUIREMENTS, DEPARTMENT OF COMMERCE

A letter from the Administrative Assistant to the Secretary of Commerce, transmitting, pursuant to law, a revised estimate of personnel requirements, under the Department of Commerce, for the Civil Aeronautics Administration, Federal Airways (working funds), for the quarter ending March 31, 1945 (with an accompanying paper); to the Committee on Civil Service.

EDUCATION AND TRAINING OF WAR PRODUCTION WORKERS

A letter from the Acting Administrator of the Federal Security Agency, transmitting, pursuant to law, the second quarterly report of the United States Commissioner of Education on the education and training of de-

fense workers covering the period beginning October 1, 1944, and ending December 31, 1944 (with an accompanying report); to the Committee on Education and Labor.

REPORT OF NATIONAL WAR LABOR BOARD—STABILIZATION OF WAGES

A letter from the Chairman of the National War Labor Board, transmitting, in further response to Senate Resolution 130 (78th Cong.), the twenty-first monthly report of the Board relating to the stabilization of wages, covering the month of November 1944 (with accompanying papers); ordered to lie on the table.

PETITIONS AND MEMORIALS

Petitions, etc., were laid before the Senate by the Vice President and referred as indicated:

A joint memorial of the Legislature of the State of Montana; to the Committee on Indian Affairs:

"Senate Joint Memorial 1

"Joint memorial of the Senate and of the House of Representatives of the State of Montana to the President and the Congress of the United States relative to the post-war construction of an adequate tuberculosis sanitarium for Indians at a suitable location within the State of Montana

"To the President of the United States and to the Honorable Senate and House of Representatives of the United States in Congress assembled:

"Whereas there is within Montana a large Indian population on numerous Indian reservations; and

"Whereas the people of Montana are deeply concerned with the extremely high death rate of Montana Indians from tuberculosis; and

"Whereas there are no existing special facilities within the State for their treatment and hospitalization: Now, therefore, be it

"Resolved, That the Senate of the State of Montana, and the House of Representatives concurring, strongly urge that the Congress of the United States include in the Federal post-war building program an appropriation for the construction and equipment of an adequate tuberculosis sanitarium for Indians at some suitable location within the State of Montana; be it further

"Resolved, That copies of this resolution be forwarded by the secretary of state to the President of the United States, to the Vice President of the United States, to the Speaker of the House of Representatives of the United States, to the Senators and Representatives in Congress from this State, to the Secretary of

the Interior, and to the Commissioner of Indian Affairs.

"Approved February 25, 1945.

"SAM C. FORD, Governor."

A joint memorial of the Legislature of the State of Montana; to the Committee on the Judiciary:

"Senate Joint Memorial 6

"Joint memorial of the Senate and House of Representatives of the State of Montana memorializing the Congress of the United States to enact Senate Joint Resolution No. 8, establishing a procedure by which Federal spending and Federal income would be balanced except in specified emergencies

"Whereas the Federal Government debt and need for operating funds in the post-war period will strain the fiscal foundations of our Government; and

"Whereas fiscal stability under these conditions demands a constitutional directive which would restrict and limit expenditures to the income provided to meet and take care of the same; and

"Whereas Senate joint resolution, introduced in the Senate of the United States, January 10, 1945, proposes to submit to the legislatures of the several States for their ratification a constitutional amendment with the following provisions:

"On the first day of each regular session, the President shall transmit to the Congress his estimates of the receipts of the Government during the ensuing fiscal year under the laws existing on such date, together with his recommendations as to the purposes for which such receipts shall be expended, and, except in time of war or during the period ending on the date of the expiration of 1 full fiscal year after the termination thereof, the Congress shall not appropriate money for expenditure during such fiscal year in excess of such estimated receipts, as transmitted or as modified or revised by the President, except by a vote of three-fifths of each House taken by yeas and nays, unless prior to the making of such appropriation the Congress shall have imposed such taxes, duties, imposts, or excises as will raise additional revenues equal to the amount by which such appropriation exceeds such estimated receipts, or unless such appropriation be for the purpose of paying the expenses and contingencies of the Congress or the courts, or for the payment of claims against the United States, the justice of which shall have been judicially declared by such tribunal as may be established by the Congress for the investigation of claims against the Government." Now, therefore, be it

"Resolved by the senate (the house of representatives concurring), That the Montana Legislative Assembly urges the Congress of the United States to enact Senate Joint Resolution 8; and be it further

"Resolved, That copies of this memorial be transmitted by the secretary of state to the President of the United States, to the Vice President of the United States, and to the Speaker of the House of Representatives, and to the Montana Members of the Senate and House of Representatives in Congress.

"Approved February 28, 1945.

"SAM C. FORD, Governor."

A joint resolution of the Legislature of the State of Nevada; to the Committee on Finance:

"Assembly Joint Resolution 10

"Joint resolution memorializing the Congress of the United States to amend the Social Security Act to permit old-age pensioners to earn wages without penalty

"Whereas the American people are engaged in a war which has utilized the services of younger men and women throughout the entire Nation; and

"Whereas, because of this condition, an acute labor shortage has developed to such

an extent that it has become the No. 1 problem of our Government; and

"Whereas many old-age pensioners are able to perform many types of work that would relieve the labor situation: Now, therefore, be it

"Resolved by the Assembly and the Senate of the State of Nevada (jointly), That the Congress of the United States be, and it is hereby, memorialized to amend the present restrictions in the Social Security Act to the end that any person who receives or is eligible to receive old-age assistance shall be permitted to do and perform odd jobs of labor, caretaking, and similar classes of casual work not in the general course of a trade or business, at such rates of pay commensurate with their abilities to perform the same, but in any event, in an amount not to exceed \$25 in any one month without being penalized therefor; and be it further

"Resolved, That a copy of this joint resolution be transmitted by the secretary of state of the State of Nevada to the President of the United States, to the Vice President of the United States, to the Speaker of the House of Representatives, to our congressional Representatives in the Congress of the United States, and to the presiding officers of each State legislature now in session.

"State of Nevada, executive department, approved February 28, 1945.

"E. P. CARVILLE,
"Governor."

REPORTS OF COMMITTEES

The following reports of committees were submitted:

By Mr. GEORGE, from the Committee on Finance:

H. R. 1429. A bill to permit the Administrator, War Shipping Administration, and the United States Maritime Commission, during the national emergency, to pay the tax imposed under section 1410 of the Internal Revenue Code without regard to the \$3,000 limitation in section 1426 (a) (1) of the Internal Revenue Code; without amendment (Rept. No. 85).

By Mr. MURDOCK, from the Committee on Banking and Currency:

S. 502. A bill to permit the continuation of certain subsidy payments with respect to strategic metals and minerals and petroleum and petroleum products; with amendments (Rept. No. 86).

BILLS INTRODUCED

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. BUSHFIELD:

S. 709. A bill authorizing and directing the Secretary of the Interior to issue to Peter A. Condellario a patent in fee to certain land; and

S. 710. A bill authorizing and directing the Secretary of the Interior to issue to Winnie Left Her Behind a patent in fee to certain land; to the Committee on Indian Affairs.

By Mr. BILBO:

S. 711. A bill for the relief of Ernest L. Fuhrmann; to the Committee on Claims.

By Mr. BARKLEY (for Mr. ANDREWS):

S. 712. A bill for the relief of William B. Scott; to the Committee on Claims.

By Mr. MURRAY (for himself, Mr. ELLENDER, and Mr. WAGNER):

S. 713. A bill to provide for the distribution of motor-vehicle tires, and for other purposes; to the Committee on Banking and Currency.

By Mr. MURRAY:

S. 714. A bill to amend the act entitled "An act to provide compensation for employees of the United States suffering injuries while in the performance of their duties, and for other purposes," as amended; to the Committee on Education and Labor.

By Mr. WALSH:

S. 715. A bill to provide more efficient dental care for the personnel of the United States Navy; and

S. 716. A bill to provide for reimbursement of certain Navy personnel and former Navy personnel for personal property lost or damaged as the result of a fire at the outlying degaussing branch of the Norfolk Navy Yard, Portsmouth, Va., on December 4, 1942; to the Committee on Naval Affairs.

By Mr. MEAD (for himself and Mr. AIKEN):

S. 717. A bill to authorize the appropriation of funds to assist the States in more adequately financing education and in removing substandard conditions in education; to aid in establishing and maintaining education services; to eradicate illiteracy; to preserve and promote the national security in peace and in war; to raise the educational level of the Nation; and to promote the general welfare; to the Committee on Education and Labor.

By Mr. CHAVEZ:

S. 718. A bill to authorize the Secretary of the Interior to contract with the Middle Rio Grande Conservancy District of New Mexico for the payment of operation and maintenance charges on certain Pueblo Indian lands; to the Committee on Indian Affairs.

HOUSE BILL REFERRED

The bill (H. R. 2277) to insure adequate nursing care for the armed forces, was read twice by its title and referred to the Committee on Military Affairs.

ADDITIONAL COPIES OF HEARINGS AND REPORTS OF SPECIAL COMMITTEE TO STUDY AND SURVEY PROBLEMS OF SMALL BUSINESS ENTERPRISES

Mr. MURRAY submitted the following resolution (S. Res. 95), which was referred to the Committee on Printing:

Resolved, That in accordance with paragraph 3 of section 2 of the Printing Act approved March 1, 1907, the Special Committee to Study and Survey Problems of Small Business Enterprises authorized by Senate Resolution 28, Seventy-ninth Congress (extending S. Res. 298, 76th Cong.), be, and is hereby, empowered to have printed for its use not to exceed 5,000 additional copies of each of its hearings and each of its reports.

AMERICA'S FOREIGN POLICY—ADDRESS BY SENATOR BUTLER

[Mr. BUTLER asked and obtained leave to have printed in the RECORD an address on the subject of America's foreign policy, delivered by him over radio station WRC, Washington, D. C., on March 2, 1945, which appears in the Appendix.]

INTERNATIONAL SECURITY—ADDRESS BY SENATOR MORSE

[Mr. PEPPER asked and obtained leave to have printed in the RECORD an address on the subject of international security, delivered by Senator MORSE before the Independent Citizens' Committee of the Arts, Sciences, and Professions, in New York City on February 18, 1945, which appears in the Appendix.]

KNIGHTS OF COLUMBUS EDUCATIONAL TRUST FUND—STATEMENT BY SENATOR WALSH

[Mr. WALSH asked and obtained leave to have printed in the RECORD a statement prepared by him with respect to the Knights of Columbus educational trust fund for the benefit of orphaned sons and daughters of members of the Knights of Columbus, which appears in the Appendix.]

tions that are or may be seeking Government contracts or business transactions?

In fact, the duties of the Veterans' Administrator are in themselves a monumental task requiring every minute of his time. In addition, General Hines was recently appointed Administrator of Rehabilitation and Reemployment.

Needless to say, I will continue to criticize the Veterans' Administrator as long as he attempts to serve two masters and devotes his time to private business functions and for private financial gain. I leave it to the intelligence of the American people to decide whether this criticism is justified or not in face of the evidence I have presented herewith.

The question remains, Should General Hines be allowed to continue to represent private institutions who are doing business with the Government either directly or indirectly?

I hope that the Congress of the United States and the American people will demand that General Hines either resign from the private corporations or from his position as Administrator of Veterans Affairs.

I desire also to call to the attention of the Congress the following statute, which may or may not apply to this particular situation. If it doesn't apply, a law should be passed immediately forbidding any permanent Government official from holding any type of office in private business. I quote the statute (sec. 66, title 5, U. S. C.):

"RECEIVING SALARY FROM SOURCE OTHER THAN UNITED STATES

"No Government official or employee shall receive any salary in connection with his services as such an official or employee from any source other than the Government of the United States, except as may be contributed out of the treasury of any State, county, or municipality, and no person, association, or corporation shall make any contribution to, or in any way supplement the salary of, any Government official or employee for the services performed by him for the Government of the United States.

"Any person violating any of the terms of this section shall be deemed guilty of a misdemeanor, and upon conviction thereof shall be punished by a fine of not less than \$1,000 or imprisonment for not less than 6 months, or by both such fine and imprisonment, as the court may determine." (March 3, 1917, ch. 163, sec. 1, 39 Stat. 1106.)

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted, as follows:

To Mr. HAND (at the request of Mr. THOMAS of New Jersey), for 3 days, on account of official business.

To Mr. CASE of New Jersey (at the request of Mr. KEAN), for 2 days, on account of official business.

SENATE ENROLLED BILL SIGNED

The Speaker announced his signature to an enrolled bill of the Senate of the following title:

S. 214. An act to provide reimbursement for personal property lost, damaged, or destroyed as the result of an explosion at the naval mine depot, Yorktown, Va., on November 16, 1943.

ADJOURNMENT

Mr. RAMSPECK. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 5 o'clock and 41 minutes p. m.) the House adjourned until tomorrow, Friday, March 9, 1945, at 12 o'clock noon.

COMMITTEE HEARINGS

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE

(Friday, March 9, 1945)

There will be a meeting of the Committee on Interstate and Foreign Commerce at 10 o'clock a. m., Friday, March 9, 1945, to resume hearings on H. R. 1362, railroad retirement bill.

COMMITTEE ON THE POST OFFICE AND POST ROADS

(Friday, March 9, 1945)

There will be a meeting of the Committee on the Post Office and Post Roads on Friday, March 9, 1945, at 10 a. m., to continue hearings on parcel-post rates.

COMMITTEE ON IMMIGRATION AND NATURALIZATION

(Tuesday, March 13, 1945)

The Committee on Immigration and Naturalization will hold a hearing on Tuesday, March 13, 1945, at 10 o'clock a. m., on H. R. 173.

(Wednesday, March 14, 1945)

The Committee on Immigration and Naturalization will hold a hearing on Wednesday, March 14, 1945, at 10 o'clock a. m., on H. R. 1624 and H. R. 1746.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

279. A letter from the Acting Secretary of the Interior, notifying Congress that no leases which expired during the calendar year of 1944 were extended beyond their initial terms under the provisions of section 17 of the Mineral Leasing Act of 1920; to the Committee on the Public Lands.

280. A letter from the Acting Secretary of the Navy, transmitting a draft of a proposed bill to provide for reimbursement of certain Navy personnel and former Navy personnel for personal property lost or damaged as the result of a fire at the outlying degaussing branch of the Norfolk Navy Yard, Portsmouth, Va., on December 4, 1942; to the Committee on Claims.

281. A letter from the Associate Director, United States Department of the Interior, National Park Service, transmitting a copy of quarterly estimate of personnel requirements for the quarter ending June 30, 1945, covering the appropriation "Maintenance, Executive Mansion and Grounds, 1945"; to the Committee on the Civil Service.

282. A letter from the administrative assistant to the Secretary, Department of Commerce, transmitting revision 1 of the estimate of personnel requirements for the quarter ending March 31, 1945, for "Working funds, Federal airways"; to the Committee on the Civil Service.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. SABATH: Committee on Rules. House Resolution 62. Resolution authorizing the Committee on Public Buildings and Grounds to investigate the progress of the defense housing program; without amendment (Rept. No. 290). Referred to the House Calendar.

Mr. SABATH: Committee on Rules. House Resolution 174. Resolution for the consideration of House Joint Resolution 60, proposing an amendment to the Constitution of the United States relative to the making of treaties; without amendment (Rept. 291). Referred to the House Calendar.

Mr. BATES of Kentucky: Committee on Rules. House Resolution 175. Resolution for the consideration of H. R. 2013, to extend for 1 year the provisions of an act to promote the defense of the United States, approved March 11, 1941, as amended; without amendment (Rept. No. 292). Referred to the House Calendar.

Mr. CHIPERFIELD: Committee on Foreign Affairs. H. R. 2013. A bill to extend for 1 year the provisions of an act to promote the defense of the United States, approved March 11, 1941, as amended; without amendment (Rept. No. 259, pt. II). Referred to the Committee of the Whole House on the state of the Union.

REPORTS OF COMMITTEES ON PRIVATE BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. KEARNEY: Committee on Immigration and Naturalization. H. R. 1356. A bill for the relief of Elias Baumgarten; without amendment (Rept. No. 289). Referred to the Committee of the Whole House.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. BULWINKLE:

H. R. 2536. A bill to amend the Interstate Commerce Act with respect to certain agreements between carriers; to the Committee on Interstate and Foreign Commerce.

By Mr. RANDOLPH:

H. R. 2537. A bill to confer jurisdiction upon the Court of Claims and the district courts of the United States of claims for damages resulting from the operation of aircraft by or for the United States; to the Committee on the Judiciary.

By Mr. SPRINGER:

H. R. 2538. A bill to incorporate the Mothers of World War No. 2, to set forth and establish the purposes and aims of the organization, fixing its corporate powers and establishing the rights of membership, and for other purposes; to the Committee on the Judiciary.

By Mr. HARLESS of Arizona:

H. R. 2539. A bill to permit the continuation of certain subsidy payments and certain purchase and sale operations by corporations created pursuant to section 5d (3) of the Reconstruction Finance Corporation Act, as amended, and for other purposes; to the Committee on Banking and Currency.

By Mr. BENDER:

H. R. 2540. A bill to establish an Ohio Valley Authority to provide for unified water control and resource development on the Ohio River and surrounding region in the interest of the control and prevention of floods, the promotion of navigation and reclamation of the public lands, the promotion of family-type farming, the development of the recreational possibilities and the promotion of the general welfare of the area, the strengthening of the national defense, and for other purposes; to the Committee on Rivers and Harbors.

By Mr. MAY:

H. R. 2541. A bill to provide a method for the wartime reduction of temporary grades

held by general officers of the Army of the United States; to the Committee on Military Affairs.

By Mr. BLAND:

H. R. 2542. A bill to amend an act to authorize the Secretary of War and the Secretary of the Navy to make certain disposition of condemned ordnance, guns, projectiles, and other condemned material in their respective Departments; to the Committee on Military Affairs.

By Mr. MURRAY of Tennessee:

H. R. 2543. A bill to require weekly newspapers enjoying mailing privileges to make sworn statements with respect to their circulation; to the Committee on the Post Office and Post Roads.

MEMORIALS

Under clause 3 of rule XXII, a memorial was presented and referred as follows:

By the SPEAKER: Memorial of the Legislature of the State of Nevada, memorializing the President and the Congress of the United States to amend the Social Security Act to permit old-age pensioners to earn wages without penalty; to the Committee on Ways and Means.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. HENDRICKS:

H. R. 2544. A bill for the relief of Willie Hines; to the Committee on Claims.

H. R. 2545. A bill for the relief of Florida Rhone Burch; to the Committee on Claims.

By Mr. POWELL:

H. R. 2546. A bill for the relief of Salvador Lorenz Fernandez; to the Committee on Immigration and Naturalization.

By Mr. WASIELEWSKI:

H. R. 2547. A bill for the relief of John J. Doherty; to the Committee on Indian Affairs.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

154. By Mr. GAMBLE (by request): Two petitions signed by 53 residents in the Twenty-eighth Congressional District of New York, opposing the enactment of H. R. 2082; to the Committee on the Judiciary.

155. By Mr. LANE: Petition of the resolution committee of the lastmakers' union, Local 28, Lynn, Mass., urging modification of the Little Steel formula; to the Committee on Labor.

156. Also, petition of the delegates of eastern region of Massachusetts, members of the Polish-American Congress, at a meeting February 18, 1945, in Boston, Mass., urging assistance to the people of Poland and voicing disapproval of the results of the Crimean Conference; to the Committee on Foreign Affairs.

157. By Mr. MOTT: Memorial of the Legislature of the State of Oregon memorializing the Congress of the United States to terminate the activities of the Office of Price Administration and all other agencies established for the war emergency as soon as is reasonably possible; to the Committee on Banking and Currency.

158. By Mr. MURDOCK: Memorial of State of Arizona, House Memorial No. 4, requesting the establishment of a Government general hospital at Fort Huachuca; to the Committee on World War Veterans' Legislation.

159. By Mr. SMITH of Wisconsin: Petition of sundry citizens of Racine, Wis.; to the Committee on Military Affairs.

79TH CONGRESS
1ST SESSION

H. R. 2539

IN THE HOUSE OF REPRESENTATIVES

MARCH 8, 1945

Mr. HARLESS of Arizona introduced the following bill; which was referred to the Committee on Banking and Currency

A BILL

To permit the continuation of certain subsidy payments and certain purchase and sale operations by corporations created pursuant to section 5d (3) of the Reconstruction Finance Corporation Act, as amended, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That the last paragraph of section 2 (e) of the Emergency
4 Price Control Act of 1942, as amended by the Stabilization
5 Extension Act of 1944, shall not apply, with respect to oper-
6 ations for the fiscal year ending June 30, 1946, to corpo-
7 rations created or operations authorized to be performed
8 pursuant to section 5d (3) of the Reconstruction Finance
9 Corporation Act, as amended: *Provided*, That with respect

1 to such corporations and such operations the making of
2 subsidy payments and buying for resale at a loss for the
3 purpose of maintaining maximum prices established pursuant
4 to provisions of the Emergency Price Control Act of 1942,
5 as amended and supplemented, shall be limited as follows:

6 (a) Payments or purchases may be made after June 30,
7 1945, in such amounts as may be necessary to fulfill obliga-
8 tions incurred prior to July 1, 1945, with respect to 1945
9 and prior fiscal year activities.

10 (b) Payments and purchases may be made with re-
11 spect to operations for the fiscal year ending June 30, 1946,
12 which involve subsidies and anticipated losses as follows:

13 (1) With respect to materials or commodities, other
14 than rubber and rubber products, produced outside the
15 United States, in an amount not to exceed \$80,000,000;

16 (2) With respect to rubber and rubber products
17 produced outside the United States, in an amount not
18 to exceed \$60,000,000;

19 (3) With respect to materials or commodities pro-
20 duced within the United States, as follows:

21 (A) Meat in an amount not to exceed
22 \$560,000,000;

23 (B) Butter in an amount not to exceed
24 \$100,000,000;

1 (C) Flour in an amount not to exceed
2 \$190,000,000;

3 (D) Petroleum and petroleum products in an
4 amount not to exceed \$290,000,000;

5 (E) Copper, lead, and zinc, in the form of pre-
6 mium payments, in an amount not to exceed
7 \$88,000,000; and

8 (F) Other materials or commodities in an
9 amount not to exceed \$100,000,000:

10 *Provided*, That in the event the entire amount of any of the
11 above allocations is not required for its purpose, the unused
12 portion of such allocation, but not to exceed 10 per centum
13 of such allocation, may be used for making such payments
14 on and purchases of any other item or items enumerated
15 in this Act, as may be determined by the Director of Eco-
16 nomic Stabilization: *Provided further*, That the premium
17 price plan for copper, lead, and zinc shall be extended until
18 June 30, 1946, on the same substantive terms as announced
19 heretofore, except that all classes of premiums shall be non-
20 cancelable unless cancelation is necessary in making indi-
21 vidual adjustments for specific mines. With the exception
22 that initial "A" quotas shall not be raised, premiums and
23 quotas for specific mines shall be so adjusted as to return to

A BILL

To permit the continuation of certain subsidy payments and certain purchase and sale operations by corporations created pursuant to section 5d (3) of the Reconstruction Finance Corporation Act, as amended, and for other purposes.

By Mr. HARTLESS of Arizona

MARCH 8, 1945

Referred to the Committee on Banking and Currency

1 the producer not less than a reasonable average profit plus
2 amortization, depletion, and other customary or fair allow-
3 ances.

Calendar No. 85

79TH CONGRESS
1ST SESSION

S. 502

[Report No. 86]

IN THE SENATE OF THE UNITED STATES

FEBRUARY 8, 1945

Mr. McFARLAND (for himself, Mr. MURDOCK, Mr. SCRUGHAM, Mr. HAYDEN, Mr. MURRAY, Mr. HATCH, Mr. THOMAS of Idaho, Mr. THOMAS of Utah, and Mr. JOHNSON of Colorado) introduced the following bill; which was read twice and referred to the Committee on Banking and Currency

MARCH 8 (legislative day, FEBRUARY 26), 1945

Reported by Mr. MURDOCK, with amendments

[Strike out all after the enacting clause and insert the part printed in italic]

A BILL

To permit the continuation of certain subsidy payments with respect to strategic metals and minerals and petroleum and petroleum products.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That the last paragraph of section 2 (e) of the Emergency
4 Price Control Act of 1942, as amended by the Stabilization
5 Extension Act of 1944, shall not apply to the operations of
6 the Reconstruction Finance Corporation, or any corporation
7 created by it pursuant to section 5d (3) of the Reconstre-

1 tion Finance Corporation Act, as amended, with respect to
2 strategic and critical minerals and metals, or petroleum and
3 petroleum products, during the fiscal year ending June 30,
4 1946. With respect to such operations during the fiscal
5 years ending June 30, 1946, such corporations may pay
6 subsidies and incur losses not in excess of \$450,000,000 in
7 the aggregate.

8 *That the last paragraph of section 2 (e) of the Emergency*
9 *Price Control Act of 1942, as amended by the Stabilization*
10 *Extension Act of 1944, shall not apply, with respect to oper-*
11 *ations for the fiscal year ending June 30, 1946, to corpora-*
12 *tions created or operations authorized to be performed pur-*
13 *suant to section 5d (3) of the Reconstruction Finance*
14 *Corporation Act, as amended: Provided, That with respect*
15 *to such corporations and such operations the making of*
16 *subsidy payments and buying for resale at a loss for the*
17 *purpose of maintaining maximum prices established pursuant*
18 *to provisions of the Emergency Price Control Act of 1942,*
19 *as amended and supplemented, shall be limited as follows:*

20 (a) *Payments or purchases may be made after June*
21 *30, 1945, in such amounts as may be necessary to fulfill*
22 *obligations incurred prior to July 1, 1945, with respect to*
23 *1945 and prior fiscal year activities.*

24 (b) *Payments and purchases may be made with respect*

to operations for the fiscal year ending June 30, 1946, which involve subsidies and anticipated losses as follows:

(1) With respect to materials or commodities, other than rubber and rubber products, produced outside the United States, in an amount not to exceed \$80,000,000;

(2) With respect to rubber and rubber products produced outside the United States, in an amount not to exceed \$60,000,000;

(3) With respect to materials or commodities produced within the United States, as follows:

(A) Meat in an amount not to exceed \$560,000,000;

(B) Butter in an amount not to exceed \$100,000,000;

(C) Flour in an amount not to exceed \$190,000,000;

(D) Petroleum and petroleum products in an amount not to exceed \$290,000,000;

(E) Copper, lead, and zinc, in the form of premium payments, in an amount not to exceed \$88,000,000; and

(F) Other materials or commodities in an amount not to exceed \$100,000,000:

Provided, That in the event the entire amount of any of

1 *the above allocations is not required for its purpose, the*
2 *unused portion of such allocation, but not to exceed 10 per*
3 *centum of such allocation, may be used for making such*
4 *payments on and purchases of any other item or items*
5 *enumerated in this Act, as may be determined by the*
6 *Director of Economic Stabilization: Provided further, That*
7 *the premium price plan for copper, lead, and zinc shall*
8 *be extended until June 30, 1946, on the same terms as*
9 *heretofore, except that all classes of premiums shall be non-*
10 *cancelable unless necessary in order to make individual*
11 *adjustments of income to specific mines.*

Amend the title so as to read: "A bill to permit the continuation of certain subsidy payments and certain purchase and sale operations by corporations created pursuant to section 5d (3) of the Reconstruction Finance Corporation Act, as amended, and for other purposes."

A BILL

To permit the continuation of certain subsidy payments with respect to strategic metals and minerals and petroleum and petroleum products.

By Mr. McFARLAND, Mr. MURDOCK, Mr. SCUT-
TAM, Mr. HAYDEN, Mr. MURRAY, Mr. HATCH,
Mr. THOMAS of Idaho, Mr. THOMAS of Utah,
and Mr. JOHNSON of Colorado

FEBRUARY 8, 1945

Read twice and referred to the Committee on
Banking and Currency

MARCH 8 (legislative day, FEBRUARY 26), 1945

Reported with amendments

AUTHORIZING THE CONTINUATION OF CERTAIN
SUBSIDIES

MARCH 8 (legislative day, FEBRUARY 26), 1945.—Ordered to be printed

Mr. MURDOCK, from the Committee on Banking and Currency,
submitted the following

REPORT

[To accompany S. 502]

The Committee on Banking and Currency, to whom was referred the bill (S. 502) to permit the continuation of certain subsidy payments with respect to strategic metals and minerals and petroleum and petroleum products, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

The purpose of the bill is to permit the continuance for the fiscal year ending June 30, 1946, of certain subsidy payments which are now paid by corporations created under section 5d (3) of the Reconstruction Finance Corporation Act, as amended. This legislation is necessary by reason of a provision (sec. 2 (e)) which was added to the Emergency Price Control Act by the Stabilization Extension Act of last year. This provision reads as follows:

(e) After June 30, 1945, neither the Price Administrator nor the Reconstruction Finance Corporation nor any other Government corporation shall make any subsidy payments, or buy any commodities for the purpose of selling them at a loss and thereby subsidizing directly or indirectly the sale of commodities, unless the money required for such subsidies, or sale at a loss, has been appropriated by Congress for such purpose; and appropriations for such purpose are hereby authorized to be made.

This bill, as introduced, was designed to permit the continuation of some, but not all, of the subsidies paid by Reconstruction Finance Corporation subsidiaries which would be prohibited after June 30, 1945, unless legislation is enacted. The committee held hearings on the bill and heard testimony from representatives of the Office of Economic Stabilization, Reconstruction Finance Corporation, Office of Price Administration, and Foreign Economic Administration. After hearing these agencies, and in accordance with their recommendations, the committee decided to broaden the proposed legislation so that instead of its being limited to subsidy payments with

respect only to strategic metals and minerals and petroleum and petroleum products, it would embrace all of the activities of corporations created or operations authorized to be performed pursuant to section 5d (3) of the Reconstruction Finance Corporation Act, as amended, which the committee considered affected by the last paragraph of section 2 (e) of the Emergency Price Control Act of 1942, as amended.

The text of the bill as reported by the committee is largely self-explanatory and reads as follows:

That the last paragraph of section 2 (e) of the Emergency Price Control Act of 1942, as amended by the Stabilization Act of 1944, shall not apply, with respect to operations for the fiscal year ending June 30, 1946, to corporations created or operations authorized to be performed pursuant to section 5d (3) of the Reconstruction Finance Corporation Act, as amended: *Provided*, That with respect to such corporations and such operations the making of subsidy payments and buying for resale at a loss for the purpose of maintaining maximum prices established pursuant to provisions of the Emergency Price Control Act of 1942, as amended and supplemented, shall be limited as follows:

(a) Payments or purchases may be made after June 30, 1945, in such amounts as may be necessary to fulfill obligations incurred prior to July 1, 1945, with respect to 1945 and prior fiscal year activities.

(b) Payments and purchases may be made with respect to operations for the fiscal year ending June 30, 1946, which involve subsidies and anticipated losses as follows:

(1) With respect to materials or commodities, other than rubber and rubber products, produced outside the United States, in an amount not to exceed \$80,000,000;

(2) With respect to rubber and rubber products produced outside the United States, in an amount not to exceed \$60,000,000;

(3) With respect to materials or commodities produced within the United States, as follows:

(A) Meat in an amount not to exceed \$560,000,000;

(B) Butter in an amount not to exceed \$100,000,000;

(C) Flour in an amount not to exceed \$190,000,000;

(D) Petroleum and petroleum products in an amount not to exceed \$290,000,000;

(E) Copper, lead, and zinc, in the form of premium payments, in an amount not to exceed \$88,000,000; and

(F) Other materials or commodities in an amount not to exceed \$100,000,000:

Provided, That in the event the entire amount of any of the above allocations is not required for its purpose, the unused portion of such allocation, but not to exceed 10 per centum of such allocation, may be used for making such payments on and purchases of any other item or items enumerated in this Act, as may be determined by the Director of Economic Stabilization: *Provided further*, That the premium price plan for copper, lead, and zinc shall be extended until June 30, 1946, on the same terms as heretofore, except that all classes of premiums shall be noncancelable unless necessary in order to make individual adjustments of income to specific mines.

As thus amended, the provisions made by the bill for the corporations and operations concerned here are quite similar to the provisions made by the bill S. 298 (already passed by the Senate on February 5, 1945) for the operations of the Commodity Credit Corporation for the fiscal year ending June 30, 1946.

The substitute provisions recommended by the committee provide that the limitations imposed by the last paragraph of section 2 (e) of the Emergency Price Control Act of 1942, as amended, shall not apply during the fiscal year ending June 30, 1946, to corporations created or operations authorized to be performed pursuant to section 5d (3) of the Reconstruction Finance Corporation Act, as amended, but that with respect to such corporations and such operations, the making of subsidy payments and the buying for resale at a loss for the purpose

of maintaining maximum prices established pursuant to the provisions of the Emergency Price Control Act of 1942, as amended and supplemented, should be carried out subject to specified dollar limitations. It does not limit payments or losses incident to operations of such corporations which are not designed to hold price ceilings.

The bill as reported authorizes the making after June 30, 1945, of such payments or purchases as may be necessary to fulfill obligations incurred prior to July 1, 1945, with respect to 1945 and prior-fiscal-year activities. As to payments and purchases made with respect to operations for the fiscal year ending June 30, 1946, which involve subsidies and anticipated losses, limitations are imposed in amounts which the committee believes to be justified.

With respect to operations involving purchases on which losses are anticipated, as distinguished from direct subsidy payments, attention is called to the fact that the limitations imposed relate to the losses anticipated at the time such purchases are authorized rather than the actual losses that may result upon the ultimate resale of the materials or commodities purchased. The committee was convinced that this was the only practical approach to the problem of providing a dollar limitation as to losses with respect to such purchase and sale programs on a fiscal-year basis. The provisions which have been included in the bill mean that as to payments and purchases made with respect to operations for the fiscal year ending June 30, 1946, each of the corporations must estimate at the time of authorizing such payments and purchases the amount of loss likely to result therefrom. The aggregate of all such estimated losses must not exceed the dollar limitation imposed.

Attention is called to the fact that the bill includes a provision to the effect that if the entire amount of any of the stated allocations is not required for its purpose, the unused portion, but not to exceed 10 percent of such allocation, may be used for making payments on or purchases of any other item or items enumerated in the bill as may be determined by the Director of Economic Stabilization. In order to provide for unforeseen contingencies, the committee believes that flexibility within each of the stated limitations, but not to exceed 10 percent is desirable. This provision does not, of course, increase the aggregate amount of the total over-all limitation imposed by the bill on anticipated losses involving payments and purchases made with respect to operations for the fiscal year ending June 30, 1946.

Of the total over-all limitation of \$1,468,000,000 provided in the bill for payments and purchases with respect to operations for the fiscal year ending June 30, 1946, which involve subsidies and anticipated losses as to corporations created or operations authorized to be performed pursuant to section 5d (3) of the Reconstruction Finance Corporation Act, as amended, it should be pointed out that a substantial amount, probably as much as \$500,000,000, is accounted for by the payments on the substantial portion of meat, butter, flour, and other commodities and materials used directly by the Government, leaving a net figure somewhere in the neighborhood of \$900,000,000. Thus, the total cost of operations for the purpose of maintaining maximum prices established pursuant to the provisions of the Emergency Price Control Act of 1942, as amended, with respect to civilian consumption, including the approximately \$845,000,000 already proposed for Commodity Credit Corporation, will be somewhat less than the figure of \$2,000,000,000 which has been often

mentioned as the maximum annual cost of subsidy payments and purchases for the purpose of selling at a loss in maintaining the so-called hold-the-line program.

The committee also included a provision to the effect that the premium-price plan for copper, lead, and zinc shall be extended until June 30, 1946, on the same terms as heretofore, except that all classes of premiums shall be noncancelable unless necessary in order to make individual adjustments of income to specific mines.

It was felt that, without a specific authorization on a noncancelable basis, producers and employees alike would be unable to plan ahead and this would react unfavorably upon production. The requirement that the extension of the plan shall be "on the same terms as heretofore" assures the continuance of the subsidy on basic standards which have been employed in the administration of the plan. It does not, of course, preclude changes designed to improve administrative procedure.

As mining is dependent upon development work and development work will only be done if there is a specific guaranty of reasonable prices for a definite time, permitting the rules of the premium price plan in this respect to be changeable or subject to cancelation at the will of the executive agencies would make it impossible for the mining industry and particularly the small mines to plan ahead on a definite basis.

Announcement from the War Production Board to the effect that VE-day cut-backs will be slight indicates that the entire domestic production probably will be absorbed at least until VJ-day. The committee feels that it is not safe to discourage production in anticipation of the war ending prior to June 30, 1946.

The provision for making adjustments of individual premiums while prohibiting cancelation "across the board" is to preserve the present method of adjusting quotas upward and downward to return the producer a reasonable profit plus amortization and other allowances, and at the same time to prevent excessive windfalls due to development of richer ore bodies. In making such adjustments in specific cases, it may be necessary to cancel an individual C, B, or special additional copper premium, or later, if costs rise or grade of ore drops, to restore such premiums in whole or in part, but it is not intended that initial A quotas shall be raised. The committee did not wish to prevent necessary flexibility but did want to prohibit using cancelation as a mechanism for forcing mines to shut down. Neither is it intended to interfere with the right to add new classes of premiums if the agencies feel that this will benefit or increase the production of copper, lead, and zinc.

The committee also recommend that the title of the bill be amended to conform with the committee amendment to the text of the bill.

CCC, for the fiscal year 1946, the prohibition in the Stabilization Extension Act against subsidies, etc., but limiting CCC subsidies as follows: Permits payments (1) to complete operations for 1944 and prior-year crop programs and (2) to fulfill obligations incurred prior to July 1, 1945, with respect to 1945 and prior fiscal year noncrop programs; and in amounts not over \$68,000,000 during the last half of 1945 for the dairy production payment program, \$120,000,000 during that period for other noncrop programs, and \$225,000,000 for the 1945 crop programs. Permits the interchange of funds for the above operations up to 10% but prohibits the total subsidy payments and losses absorbed under any one of the operations to be increased by more than 10%. Provides that the rate of payment per pound of butterfat delivered under the dairy production payment program beginning April 1945, shall not be less than 25% of the national weighted average rate of payment per 100 pounds of whole milk delivered (p. 2097) after rejecting Rep. Keefe's (Wis.) amendments to this amendment, to provide for schedules of milk and butterfat subsidy payments on a uniform basis which will remain in effect for at least 12 months and, to provide that any schedule of milk or butterfat subsidy payments shall be in effect for at least 12 months, and Rep. Voorhis' (Calif.) amendment, to provide monthly subsidy payments to milk producers under the dairy payment program (p. 2101).

Rejected the following amendments:

By Rep. Wolcott, 125-154, as amended, to increase the borrowing power of CCC by \$1,500,000,000 (p. 2094).

By Rep. Wolcott, 101-119, to continue CCC as a Government agency from June 30, 1945, until June 30, 1948 (pp. 2101-2).

During the debate on this bill, Rep. Crawford, Mich., while discussing CCC operations, stated, "You will probably find that the dirty work--and I allege there has been dirty work--took place before either one of them [Judge Jones or Mr. Hancock] joined the corporation" (p. 2085). Rep. Hall, N.Y., criticized the proposed reduction in milk subsidy payments after April 1, 1945 (p. 2096).

BILLS INTRODUCED

18. SELECTIVE SERVICE. S. J. Res. 45, by Sen. Thomas, Utah, extending the effective period of the Selective Training and Service Act of 1940. To Military Affairs Committee. (p. 2035.)
19. MARKETING. S. Res. 96, by Sen. Wherry, Nebr., to provide for a special committee to investigate: (1) The conditions prevailing in the production, processing, and marketing of agricultural commodities; (2) The effects of regulations, orders, and directives issued by governmental agencies; (3) Adverse effects upon meat supplies of maladjustments in maximum prices established on different grades of meat; (4) The practices of purchasers of livestock for slaughter; (6) Reasons for the failures to support prices to farmers as required by existing law; and (7) Procedures followed by the OPA, WFA, and the Director of Economic Stabilization in the issuance of regulations, etc., relating to maximum prices, rationing, production, processing, and marketing of agricultural commodities. To Banking and Currency Committee. (p. 2036.)
20. RESEARCH. H. R. 2588, by Rep. Mott, Oreg., to provide for the establishment of a bee-culture laboratory at Corvallis, Oreg. To Agriculture Committee. (p. 2107.)
21. PERSONNEL. H. R. 2590, by Rep. Traynor, Del., to provide for the bonding of Federal officials and employees. To Expenditures in the Executive Departments Committee. (p. 2107.)
22. SUBSIDIES. H. R. 2591, by Rep. White, Idaho, to permit the continuation of certain subsidy payments and certain purchase and sale operations by RFC corporations. To Banking and Currency Committee. (p. 2107.)

23. C.C.C. H. Res. 180, by Rep. Crawford, Mich., to authorize the House Committee on Banking and Currency to investigate CCC. To Rules Committee. (p. 2107.)
24. VETERANS. S. 721, H. R. 2580, H. R. 2581, and H. R. 2583.

ITEMS IN APPENDIX

25. **COMMODITY CREDIT.** Speech in the House by Rep. Buffett, Nebr., questioning the existence or formulation of a plan insuring that CCC's inventory of basic commodities, such as wool and cotton, will not continue to increase with the appropriation of additional funds, and including War Food Administrator Jones' letter in reply to this question (pp. A1216-8).
26. **BANKING AND CURRENCY; LEND-LEASE.** Rep. Woodruff, Mich., inserted G. R. Brown's article on the recent lend-lease agreement with France, the Bretton Woods agreement, H. R. 2013, to extend the Lend-Lease Act (p. A1214).
Extension of remarks of Rep. Grant, Ind., discussing the increasing debt limit, the Bretton Woods agreement, and the lend-lease program (pp. A1231-2).
27. **BANKING AND CURRENCY.** Speech in the House by Rep. Plumley, Vt., discussing arguments both for and against the Bretton Woods agreement as evidenced by communications received and indicating his inclination to favor the agreement (pp. A1215-6).
Extension of remarks of Rep. Reed, N. Y., including an American Scholar article, "The Coming Economic World Pattern," discussing the Bretton Woods agreement and opposition to it by the people in general (pp. A1233-5).
Rep. Outland, Calif., inserted Washington Daily News and Washington Star articles criticizing banking interests' criticism of the Bretton Woods agreements (pp. A1235-7).
Rep. Buffett, Nebr., inserted his radio address opposing the Bretton Woods agreement (pp. A1239-40).
28. **PRICE CONTROL.** Rep. Smith, Va., inserted Administrator Bowles' open letter to Congress explaining OPA's policy with respect to the inclusion of industrial representatives to price-setting meetings (p. A1232).
29. **INFORMATION.** Rep. Miller, Nebr., inserted a Stuart (Nebr.) Advocate editorial relative to the danger in Government propaganda "when untruths, half truths, and personal opinion are published as facts" (p. A1241).
30. **ARKANSAS RIVER VALLEY.** Rep. Cravens, Ark., inserted an Ark. Legislature resolution making recommendations dealing with the policy to be followed in the development of the Arkansas River Valley (p. A1242).
Rep. Stigler, Okla., inserted an Arkansas River Valley Authority Association of Okla. resolution petitioning Congress to create an Arkansas Valley Authority (pp. A1244-5).
31. **ADMINISTRATIVE LAW.** Extension of remarks of Rep. Voorhis, Calif., including the minority report of the Smith Committee to Investigate Executive Agencies, indicating the need for separate consideration of each agency in setting up administrative procedure and inserting a Calif. Judicial Council report agreeing with the minority view (p. A1244).

COMMITTEE-HEARING ANNOUNCEMENTS for Mar. 13: H. Agriculture, farm credit; H. Post-War, Ruml on post-war problems; H. Investigating Executive Agencies, textile order; Byrd Committee, manpower utilization and Federal employment; S. Banking and Currency OPA and Stabilization Act extension; S. Appropriations, deficiency bill (ex.); Joint Committee on Organization of Congress.

I of the Social Security Act; to the Committee on Ways and Means.

By Mr. LANE:

H. R. 2583. A bill to provide 30 days' leave to enlisted men before honorable discharge; to the Committee on Military Affairs.

By Mr. RIVERS:

H. R. 2584. A bill to provide more efficient dental care for the personnel of the United States Navy; to the Committee on Naval Affairs.

By Mr. HARTLEY:

H. R. 2585. A bill to amend the District of Columbia Code; to the Committee on the District of Columbia.

By Mr. JACKSON:

H. R. 2586. A bill to authorize the leasing of Indian lands for business, and other purposes; to the Committee on Indian Affairs.

By Mr. MARTIN of Massachusetts:

H. R. 2587. A bill to dispense with the requirement of an oath in connection with applications for benefits under certain laws granting benefits to veterans and their dependents; to the Committee on World War Veterans' Legislation.

By Mr. MOTT:

H. R. 2588. A bill to provide for the establishment of a bee-culture laboratory at Corvallis, Oreg.; to the Committee on Agriculture.

By Mr. MURDOCK:

H. R. 2589. A bill authorizing payment to the San Carlos Apache Indians for the lands ceded by them in the agreement of February 25, 1896, ratified by the act of June 10, 1896, and reopening such lands to mineral entry; to the Committee on Indian Affairs.

By Mr. TRAYNOR:

H. R. 2590. A bill to provide for the bonding of Federal officials and employees; to the Committee on Expenditures in the Executive Departments.

By Mr. WHITE:

H. R. 2591. A bill to permit the continuation of certain subsidy payments and certain purchase and sale operations by corporations created pursuant to section 5d (3) of the Reconstruction Finance Corporation Act, as amended, and for other purposes; to the Committee on Banking and Currency.

By Mr. WICKERSHAM:

H. R. 2592. A bill to establish the United States Naval Aviation Academy in Oklahoma; to the Committee on Naval Affairs.

By Mr. ELLSWORTH:

H. R. 2593. A bill relating to the administrative jurisdiction of certain public lands in the State of Oregon; to the Committee on the Public Lands.

By Mr. ANGELL:

H. R. 2594. A bill to provide for compensation to blind persons for loss of earning power due to blindness; to the Committee on Ways and Means.

By Mr. KUNKEL:

H. J. Res. 117. Joint resolution designating period from Thanksgiving Day to Christmas of each year for Nation-wide Bible reading; to the Committee on the Judiciary.

By Mr. HEBERT:

H. J. Res. 118. Joint resolution to quiet the titles of the respective States and others to lands beneath tidewaters and lands beneath navigable waters within the boundaries of such States and to prevent further clouding of such titles; to the Committee on the Judiciary.

By Mr. HOFFMAN:

H. Res. 179. Resolution requesting certain information from the National Labor Relations Board; to the Committee on Labor.

By Mr. CRAWFORD:

H. Res. 180. Resolution to authorize the House Committee on Banking and Currency to investigate the Commodity Credit Corporation; to the Committee on Rules.

MEMORIALS

Under clause 3 of rule XXII, memorials were presented and referred as follows:

By the SPEAKER: Memorial of the Legislature of the State of Wyoming, memorializing the President and the Congress of the United States to take appropriate measures to open Palestine to free immigration and colonization by the Jewish people; to the Committee on Foreign Affairs.

Also, memorial of the Legislature of the State of Wyoming, memorializing the President and the Congress of the United States to enact legislation relative to employers' sinking funds and reserves, and taxability thereof; to the Committee on Ways and Means.

Also, memorial of the Legislature of the State of Wyoming, memorializing the President and the Congress of the United States that all presently proposed Federal irrigation projects and all such which are proposed in the future for construction in the State of Wyoming, be continued in all stages under the direct supervision of the United States Bureau of Reclamation; to the Committee on Irrigation and Reclamation.

Also, memorial of the Legislature of the State of Wyoming, memorializing the President and the Congress of the United States relating to public lands in, and funds and other relief for, the State of Wyoming from the United States of America; to the Committee on the Public Lands.

Also, memorial of the Legislature of the State of Wyoming, memorializing the President and the Congress of the United States to consider and pass legislation to amend the Social Security Act; to the Committee on Ways and Means.

Also, memorial of the Legislature of the State of Utah, memorializing the President and the Congress of the United States to accept the principles of the federation of the world and requesting the President of the United States to call an industrial convention to formulate a constitution for the federation of the world; to the Committee on Foreign Affairs.

Also, memorial of the Legislature of the State of Texas, memorializing the President and the Congress of the United States to have representatives of veterans of World War No. 1 and No. 2 at the Conference for World Peace at San Francisco; to the Committee on Foreign Affairs.

Also, memorial of the Legislature of the State of Texas, memorializing the President and the Congress of the United States for legislation providing that the military installations now located on the Indianola anti-aircraft gunnery range be transferred to the county of Calhoun, State of Texas; to the Committee on Military Affairs.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. GRANAHAH:

H. R. 2595. A bill for the relief of Patrick A. Kelly; to the Committee on Claims.

By Mr. GROSS:

H. R. 2596. A bill for the relief of M. F. Diller; to the Committee on Claims.

By Mr. MURDOCK:

H. R. 2597. A bill conferring jurisdiction upon the United States District Court for the District of Arizona to hear, determine, and render judgment upon the claims of the estate of Earl W. Nepple, and for the relief of Marie Nepple; to the Committee on Claims.

By Mr. REECE of Tennessee:

H. R. 2598. A bill for the relief of J. H. Atkins; to the Committee on Claims.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

166. By Mr. BRYSON: Petition of Edith M. Dennis and 23 other citizens of Lakewood, Ohio, urging enactment of House bill 2082, a measure to reduce absenteeism, conserve manpower, and speed production of materials necessary for the winning of the war by prohibiting the manufacture, sale, or transportation of alcoholic liquors in the United States for the duration of the war; to the Committee on the Judiciary.

167. By Mr. CASE of South Dakota: Petition of Robert C. Hayes, Deadwood, S. Dak., urging that Congress refrain from passing legislation conscripting American labor or fixing hours, compensation, or places of employment; to the Committee on Military Affairs.

168. Also, petition of Robert C. Hayes, Deadwood, S. Dak., that legislation be enacted to reduce the civil employees of governmental agencies by one-third; to the Committee on the Civil Service.

169. Also, petition of Robert C. Hayes, Deadwood, S. Dak., urging that the Congress refrain from enacting any law involving the United States in any obligation to furnish men or means for foreign wars other than those for the safety of America and consistent with the national honor and rectitude; to the Committee on Foreign Affairs.

170. Also, petition of Robert C. Hayes, Deadwood, S. Dak., urging that Congress enact legislation to reduce compensation and salaries of all civil employees of the Federal Government by 35 percent; to the Committee on Expenditures in the Executive Departments.

171. Also, petition of Robert C. Hayes, Deadwood, S. Dak., urging that the Constitution of the United States be amended limiting the term of the President of the United States to one term of 6 years; to the Committee on the Judiciary.

172. By Mr. MUNDT: Petition of the South Dakota State Legislature, commending the removal of limitations on the number of soldiers who may receive 30-day furloughs, leaving authority with theater commanders to determine which men deserve and need such relief, and urging that this practice be extended to all the armed services, if such action has not already been taken; to the Committee on Military Affairs.

173. Also, petition of the State Legislature of South Dakota asking that the Federal Government recognize and accept the obligation and responsibility to the Indians of South Dakota and to make payment to them for old-age assistance, aid to the blind, and aid to dependent children on the basis of 100 percent and without participation by the State of South Dakota; to the Committee on Indian Affairs.

174. By Mr. MURDOCK: Memorial of the Senate of the Arizona Legislature, Senate Memorial No. 2, praying for the relief of certain property owners of Santa Cruz County; to the Committee on Claims.

175. Also, memorial of Arizona State Legislature, Senate Concurrent Memorial No. 3, requesting the Congress to pass Senate bill 114, to pay for land of the San Carlos strip ceded by the Apache Indians; to the Committee on Indian Affairs.

176. By the SPEAKER: Petition of the president, the Association of Provision Retailers of Mayaguez, P. R., petitioning consideration of their resolution with reference to asking from the Government of the United States the immediate determination of the political status of Puerto Rico; to the Committee on Insular Affairs.

177. Also, petition of Mrs. Harry Campbell and various citizens of Tennessee, petition-

ing consideration of their resolution with reference to their request for support of House bills 709 and 2082 and Senate bills 569 and 682; to the Committee on the Judiciary.

173. Also, petition of Dorsey W. McMahan, petitioning consideration of his resolution with reference to immediate deportation; to the Committee on Immigration and Naturalization.

179. Also, petition of Local 125, International Woodworkers of America, C. I. O., petitioning consideration of their resolution with reference to endorsement of the Crimean Conference; to the Committee on Foreign Affairs.

180. Also, petition of Local 401, International Woodworkers of America, C. I. O., petitioning consideration of their resolution with

reference to endorsement of the Crimean Conference; to the Committee on Foreign Affairs.

181. Also, petition of Americans of Estonian descent, petitioning consideration of their resolution with reference to their appeal to insure the territorial sovereignty of Estonia, Latvia, and Lithuania based on the free will of the people; to the Committee on Foreign Affairs.

79TH CONGRESS
1ST SESSION

H. R. 2591

IN THE HOUSE OF REPRESENTATIVES

MARCH 12, 1945

Mr. WHITE introduced the following bill; which was referred to the Committee on Banking and Currency

A BILL

To permit the continuation of certain subsidy payments and certain purchase and sale operations by corporations created pursuant to section 5d (3) of the Reconstruction Finance Corporation Act, as amended, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That the last paragraph of section 2 (c) of the Emergency
4 Price Control Act of 1942 as amended by the Stabilization
5 Extension Act of 1944, shall not apply, with respect to
6 operations for the fiscal year ending June 30, 1946, to
7 corporations created or operations authorized to be per-
8 formed pursuant to section 5d (3) of the Reconstruction
9 Finance Corporation Act, as amended: *Provided, That with*

1 respect to such corporations and such operations the making
2 of subsidy payments and buying for resale at a loss for the
3 purpose of maintaining maximum prices established pursuant
4 to provisions of the Emergency Price Control Act of 1942,
5 as amended and supplemented, shall be limited as follows:

6 (a) Payments or purchases may be made after June
7 30, 1945, in such amounts as may be necessary to fulfill
8 obligations incurred prior to July 1, 1945, with respect to
9 1945 and prior fiscal year activities.

10 (b) Payments and purchases may be made with respect
11 to operations for the fiscal year ending June 30, 1946, which
12 involve subsidies and anticipated losses as follows:

13 (1) With respect to materials or commodities, other
14 than rubber and rubber products, produced outside the
15 United States, in an amount not to exceed \$80,000,000;

16 (2) With respect to rubber and rubber products
17 produced outside the United States, in an amount not to
18 exceed \$60,000,000; and

19 (3) With respect to materials or commodities pro-
20 duced within the United States, as follows:

21 (A) Meat in an amount not to exceed \$560,-
22 000,000;

23 (B) Butter in an amount not to exceed \$100,-
24 000,000;

(C) Flour in an amount not to exceed \$190,-
000,000;

(D) Petroleum and petroleum products in an
amount not to exceed \$290,000,000;

(E) Copper, lead, and zinc, in the form of
premium payments, in an amount not to exceed
\$88,000,000; and

(F) Other materials or commodities in an
amount not to exceed \$100,000,000:

Provided, That in the event the entire amount of any of the
above allocations is not required for its purpose, the unused
portion of such allocation, but not to exceed 10 per centum
of such allocation, may be used for making such payments
on and purchases of any other item or items enumerated in
this Act, as may be determined by the Director of Economic
Stabilization: *Provided further*, That the premium price plan
for copper, lead, and zinc shall be extended until June 30,
1946, on the same substantive terms as announced hereto-
fore, except that all classes of premiums shall be noncancelable
unless cancelation is necessary in making individual adjust-
ments for specific mines. With the exception that initial
“A” quotas shall not be raised, premiums and quotas for
specific mines shall be so adjusted as to return to the producer
not less than a reasonable average profit plus amortization,
depletion, and other customary or fair allowances.

79TH CONGRESS
1ST Session

H. R. 2591

A BILL

To permit the continuation of certain subsidy payments and certain purchase and sale operations by corporations created pursuant to section 5d (3) of the Reconstruction Finance Corporation Act, as amended, and for other purposes.

By Mr. WHITE

MARCH 12, 1945

Referred to the Committee on Banking and Currency

imported into the U. S. and its Territories and possessions, and of all products, commodities, and factors involved therein, including farm prices and shortages of farm labor, machinery, fertilizer, and feed or other commodities necessary to crop and livestock production: and (b) to make inquiries into any policies and practices of the Government which appear to imperil the production and distribution of adequate supplies of food for our armed forces, our civilian population, or our allies' (S.Rept. 105). To Audit-Control Committee. (p. 2280.)

3. WAR CIVIL FUNCTIONS APPROPRIATION BILL, 1946. Reps. Snyder, Kerr, Mahon, Norrell, Hendricks, Powers, Engel, and Case and Sens. Thomas of Okla., Hayden, Overton, Russell, Thomas of Utah, Hailey, Gurney, Brooks, Burton, and Reed were appointed conferees on this bill, H.R. 2126 (pp. 2293, 2317).

4. MISSOURI VALLEY AUTHORITY; SAVANNAH VALLEY AUTHORITY. Agreed to Sen. Murray's (Mont.) S. Res. 97, to provide for consideration of S.555, the MVA bill, by the Commerce, Irrigation and Reclamation, and Agriculture and Forestry Committees for 60-day periods each, and to Sen. Russell's (Ga.) motion to provide for similar consideration for his bill S. 737, providing for a Savannah Valley Authority (pp. 2298-9).

5. SUBSIDIES. Passed as reported S. 502, to authorize subsidy payments after July 1, 1945, on obligations incurred before that date and authorizes subsidy payments during the fiscal year 1946 as follows: Foreign materials and commodities (except rubber and its products), \$80,000,000; foreign rubber and its products, \$60,000,000; domestic meats, \$560,000,000; domestic butter, \$100,000,000; domestic flour, \$190,000,000; domestic petroleum and its products, \$290,000,000; and certain metals and other materials, \$188,000,000. Permits use of unused portions, not over 10%, of any of these allocations for making payments on any other enumerated item (pp. 2297-8, 2301-13).

Revised
Rejected Sen. Murray's (Mont.)/amendment to provide that "No Government officer or agent shall have discretion or authority to deny or withhold payment of sums relating to the production or sale of agricultural or other commodities (including livestock and meat) to any currently eligible person, firm, or corporation through Executive set-off for any disputed claim, or as a penalty not specified by statute, or otherwise, except in cases pending in court" (pp. 2306-13).

Sen. Taft, Ohio, stated, "I have never thought that the Commodity Credit Corporation had authority to pay milk subsidies" (p. 2304), and at his request "a description of the principal subsidies covered by this bill" was printed in the Record (pp. 2305-6).

6. FORESTRY. Received a S.C. Legislature resolution urging a program of forest research including (1) establishment of a regional forest utilization unit with appropriations of not less \$50,000, and (a) expansion of the present experimental forest program to include active research in timber growing and related problems of fire protection and forest grazing. To Agricultural and Forestry Committee. (p. 2280.)

7. INTERSTATE COMMERCE; TRANSPORTATION. Received a Mich. Legislature resolution requesting Congress to designate limits of authority for Federal administrative agencies in their power to regulate interstate commerce. To Judiciary Committee. (p. 2280.)

8. FARM LABOR. Received a Mich. Legislature resolution urging Congress to enact legislation protecting farm labor as essential war labor. To Military Affairs Committee. (p. 2280.)

9. MANPOWER. Sen. McMahon, Conn., criticized proposals to use "compulsion" in the manpower bill (pp. 2283-4).

OFFICE OF BUDGET AND FINANCE
Legislative Reports and Service Section

79th-1st, No. 49

DIGEST OF PROCEEDINGS OF CONGRESS OF INTEREST TO THE DEPARTMENT OF AGRICULTURE
(Issued Friday, ~~February~~ ^{March} 16, 1945, for actions of Thurs. ~~Feb.~~ ^{March} 15, 1945)

(For staff of the Department only)

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SENATE

1. INDEPENDENT OFFICES APPROPRIATION BILL, 1946. Passed with amendments this bill, H.R.1984 (pp. 2284-93).

Agreed to amendments by:

Sen. LaFollette, Wis., to provide that the veterans' job-restoration provision be amended to provide that the veteran "has been certified by the Civil Service Commission as still qualified to perform the duties of his former position," after agreeing to his unanimous consent request to reconsider the vote by which the ^{committee} amendment had been agreed to. Then the committee amendment as amended was agreed to. (p. 2284.); and by

Sen. O'Mahoney, Wyo., to provide that not less than \$171,673 shall be available for the enforcement of the Wool Products Labeling Act by the Federal Trade Commission (p. 2289).

Rejected an amendment by Sen. Saltonstahl, Mass., (2/3 vote required under the Senate rules) to prohibit use of the public-works funds for loans to States until the States have designated an all-over agency to allocate funds for projects conforming to State, local, and regional plans (pp. 2285-9).

Sens. Glass, McKellar, Russell, Green, Bankhead, Bridges, White, and Brooks were appointed conferees (p. 2293).

During debate on this bill Sen. Reed, Kans., spoke favoring Sen. McKellar's proposal to require TVA and "every other authority or activity of the Government that collects money belonging to the United States to pay the money into the Treasury and to come before the Congress to obtain appropriations," and commended the TVA farm program, inserting a table showing the number of farms receiving electric service, 1938-44 (pp. 2290-2). Sen. McKellar received consent to have his history of TVA printed as a Senate document (p. 2282).

2. FOOD PRODUCTION AND DISTRIBUTION. Agriculture and Forestry Committee reported without amendment S. Res. 92, to authorize an investigation with respect to any matters relating to the production, transportation, distribution, exportation, utilization, and consumption of food and allied products produced within or

to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That the Secretary of the Treasury be, and he is hereby, authorized and directed to pay, out of any money in the Treasury not otherwise appropriated, such sum or sums, amounting in the aggregate not to exceed \$1,451.65, as may be required by the Secretary of the Navy to reimburse, under such regulations as he may prescribe, certain Marine Corps personnel and former Marine Corps personnel for the value of personal property lost or damaged as the result of a fire in the training building at the Marine Corps air station, Cherry Point, N. C., on June 3, 1944: *Provided*, That no part of the amount appropriated in this act in excess of 10 percent thereof shall be paid or delivered to or received by any agent or attorney on account of services rendered in connection with this claim, and the same shall be unlawful, any contract to the contrary notwithstanding. Any person violating the provisions of this act shall be deemed guilty of a misdemeanor and upon conviction thereof shall be fined in any sum not exceeding \$1,000.

ADVANCEMENT OF CAPT. EDWARD MACAULEY, U. S. N., RETIRED, TO RANK OF REAR ADMIRAL

The bill (S. 646) to provide for the advancement of Capt. Edward Macauley, United States Navy, retired, to the rank of rear admiral, was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That the President of the United States be, and he is hereby, authorized to advance Capt. Edward Macauley, United States Navy, retired, to the rank of rear admiral on the retired list of the Navy.

TEMPORARY APPOINTMENT OR ADVANCEMENT OF CERTAIN NAVAL PERSONNEL

The bill (S. 58) to amend an act entitled "An act authorizing the temporary appointment or advancement of certain personnel of the Navy and Marine Corps, and for other purposes," approved July 24, 1941, as amended, and for other purposes, was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That an act entitled "An act authorizing the temporary appointment or advancement of certain personnel of the Navy and Marine Corps, and for other purposes," approved July 24, 1941 (Public Law 133, 77th Cong.), as amended (55 Stat. 603; 34 U. S. C., Supp. III, 350 and the following), is hereby amended by inserting before the period at the end of section 11 (a) of said act a colon and the following: "*Provided*, That officers on the retired list of the Naval Reserve with pay pursuant to provisions of the act entitled 'An act making appropriations for the naval service for the fiscal year ending June 30, 1919, and for other purposes,' approved July 1, 1918, may, while on active duty, be temporarily appointed to ranks or grades in a different branch or corps of the Naval Reserve under the authority of this act without loss of or prejudice to any rights, benefits, privileges, and gratuities enjoyed by them by virtue of their former status."

PRESENTATION OF MEDALS TO MEMBERS OF ANTARCTIC EXPEDITION, 1939-41

The bill (S. 397) to provide for the presentation of medals to members of the United States Antarctic Expedition of 1939-41, was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That the Secretary of the Navy is authorized and directed to cause to be made at the United States Mint such number of gold, silver, and bronze medals of appropriate design as he may deem appropriate and necessary, to be presented to members of the United States Antarctic Expedition of 1939-41, in recognition of their valuable services to the Nation in the field of polar exploration and science.

SEC. 2. There is hereby authorized to be appropriated such sums as may be necessary to carry out the provisions of this act.

REIMBURSEMENT OF CERTAIN NAVAL PERSONNEL FOR PERSONAL PROPERTY LOST OR DAMAGED

The bill (S. 525) to reimburse certain Navy personnel and former Navy personnel for personal property lost or damaged as the result of a fire at the United States naval training center, Farragut, Idaho, on July 10, 1944, was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That the Secretary of the Treasury be, and he is hereby, authorized and directed to pay, out of any money in the Treasury not otherwise appropriated, such sum or sums, amounting in the aggregate not to exceed \$6,763.55, as may be required by the Secretary of the Navy, to reimburse, under such regulations as he may prescribe, certain Navy personnel and former Navy personnel for the value of personal property lost or damaged as the result of a fire at the United States naval training center, Farragut, Idaho, on July 10, 1944: *Provided*, That no part of the amount appropriated in this act in excess of 10 percent thereof shall be paid or delivered to or received by any agent or attorney on account of services rendered in connection with this claim, and the same shall be unlawful, any contract to the contrary notwithstanding. Any person violating the provisions of this act shall be deemed guilty of a misdemeanor and upon conviction thereof shall be fined in any sum not exceeding \$1,000.

ESTABLISHMENT OF RANK OF GENERAL IN THE MARINE CORPS

The bill (H. R. 197) to establish the grade of general in the Marine Corps, and for other purposes, was considered, ordered to a third reading, read the third time, and passed.

ESTABLISHMENT OF RANK OF ADMIRAL IN THE COAST GUARD

The bill (H. R. 1646) to establish the grade of admiral in the Coast Guard, and for other purposes, was considered, ordered to a third reading, read the third time, and passed.

CONVEYANCE OF CERTAIN LANDS TO THE STATE OF RHODE ISLAND

The bill (S. 647) to authorize the Secretary of the Navy to convey to the State of Rhode Island, for highway purposes only, a strip of land within the naval advance base depot at North Kingstown, R. I., was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That the Secretary of the Navy is hereby authorized to convey (subject to sec. 2 of this act) to the State of Rhode Island, for highway purposes only, upon such terms and conditions as he may prescribe, all right, title, and interest of the United States in and to a strip or parcel of land, the metes and bounds description of which is on file in the Navy Department,

consisting of two and five hundred eighty-three one-thousandths acres, more or less, situated within the boundaries of the United States Naval Advance Base Depot, North Kingstown, Washington County, R. I.

SEC. 2. If any part of the land conveyed pursuant to this act is used for other than highway purposes, or ceases to be used for highway purposes, such part shall revert to the United States.

SHORE DUTY BY NAVAL OFFICERS

The Senate proceeded to consider the bill (S. 645) to repeal section 2 of the act of March 3, 1883 (22 Stat. 481), as amended, which had been reported from the Committee on Naval Affairs with an amendment, on page 1, line 4, after the word "hereby", to strike out "repealed" and insert "suspended until 6 months after the termination of the present wars as determined by the proclamation of the President or concurrent resolution of the Congress, whichever is earlier", so as to make the bill read:

Be it enacted, etc., That section 2 of the act of March 3, 1883 (22 Stat. 481), as amended, is hereby suspended until 6 months after the termination of the present wars as determined by the proclamation of the President or concurrent resolution of the Congress, whichever is earlier.

The amendment was agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

The title was amended so as to read "A bill to suspend until 6 months after the termination of the present wars section 2 of the act of March 3, 1883 (22 Stat. 481), as amended."

PAYMENT BY WAR SHIPPING ADMINISTRATION OF EMPLOYERS' PAY-ROLL TAX FOR OLD-AGE BENEFITS

The bill (H. R. 1429) to permit the Administrator, War Shipping Administration, and the United States Maritime Commission, during the national emergency, to pay the tax imposed under section 1410 of the Internal Revenue Code without regard to the \$3,000 limitation in section 1426 (a) (1) of the Internal Revenue Code was considered, ordered to a third reading, read the third time, and passed.

BILL PASSED OVER

The bill (S. 502) to permit the continuation of certain subsidy payments with respect to strategic metals and minerals and petroleum and petroleum products was announced as next in order.

Mr. WHERRY. Let the bill go over.

Mr. MURDOCK. Mr. President, will the Senator from Nebraska reconsider his objection and permit an explanation of the bill?

Mr. TAFT. Mr. President, I suggest that the Senator give notice that he will seek consideration of the bill immediately after the call of the calendar. I think probably it is too important a measure to be considered under the 5-minute rule.

Mr. MURDOCK. That may be done. It is a very important bill, and, in my opinion, should receive consideration.

Mr. WHERRY. Mr. President, I am making the request in behalf of the minority leader, who has requested a member of the minority to have the bill discussed.

The VICE PRESIDENT. The RECORD will so show. The bill will be passed over.

**REGULATION OF HEIGHT OF BUILDINGS
IN THE DISTRICT OF COLUMBIA**

The bill (S. 686) to amend an act regulating the height of buildings in the District of Columbia, approved June 1, 1910, as amended, was announced as next in order.

Mr. McCARRAN. Mr. President, there is on the calendar House bill 2506, Calendar 90, which should be substituted for the Senate bill. I ask unanimous consent that the House bill be substituted for the Senate bill, and that the Senate bill be indefinitely postponed.

There being no objection, the bill (H. R. 2506) to amend an act regulating the height of buildings in the District of Columbia, approved June 1, 1910, as amended, was considered, ordered to a third reading, read the third time, and passed.

The VICE PRESIDENT. Without objection, Senate bill 686, Calendar No. 88, will be indefinitely postponed.

**MISSOURI VALLEY AUTHORITY—CHANGE
OF REFERENCE OF BILL**

The resolution (S. Res. 78) to change the reference of S. 555, establishing the Missouri Valley Authority, from the Committee on Commerce to the Committee on Agriculture and Forestry was announced as next in order.

Mr. WHERRY. Let the resolution go over.

Mr. BARKLEY. Mr. President, I understand that the Senator from North Carolina [Mr. BAILEY] and the Senator from Montana [Mr. MURRAY] have entered into an agreement with regard to the procedure in connection with Senate bill 555. I think we can dispose of the resolution.

Mr. MURRAY. Mr. President, when this subject was under consideration a few days ago the Senator from North Carolina was unable to complete his remarks because of the expiration of the morning hour. It was my intention at that time to accept the proposal which he had presented.

The proposal provided that the bill should be sent first, for a period of 60 days, to the Committee on Commerce, for the purpose of studying it with relation to navigation and flood control; that following that it should go to the Committee on Irrigation and Reclamation for another period of 60 days; and then to the Committee on Agriculture and Forestry.

I have no objection to that procedure. During the last session, when I originally introduced the bill, at the suggestion of the Senator from Wyoming [Mr. O'MAHONEY] I then consented that the bill, in addition to being referred to the Committee on Agriculture and Forestry, should go to the Committee on Irrigation and Reclamation. I would consent to a similar disposition of Senate bill 555. I have no objection to the bill being referred to the Committee on Commerce, which has jurisdiction over navigation and flood control, for a period of 60 days, for the purpose of studying it. Therefore, I wish to say that I am entirely

satisfied with the proposal made by the Senator from North Carolina.

Mr. BAILEY. Mr. President, I move the consideration and adoption of the substitute resolution which I have previously offered.

The VICE PRESIDENT. The resolution will be stated.

The resolution (S. Res. 97) submitted by Mr. BAILEY on March 12, 1945, and which went over, under the rule, was read, as follows:

Whereas Senate bill 555 (to establish a Missouri Valley Authority to provide for unified water control and resource development on the Missouri River and surrounding region in the interest of the control and prevention of floods, the promotion of navigation and reclamation of the public lands, the promotion of family-type farming, the development of the recreational possibilities and the promotion of the general welfare of the area, the strengthening of the national defense, and for other purposes, having been referred to the Committee on Commerce and motion having been made to discharge said committee and refer the bill to the Committee on Agriculture: Therefore be it

Resolved, That said bill, to wit, S. 555, shall be considered forthwith by the Committee on Commerce with respect to navigation and flood control, and thereafter returned to the Senate for reference to the Committee on Irrigation and Reclamation, to be considered by said committee with respect to irrigation and reclamation, and thereafter shall be returned to the Senate for reference to the Committee on Agriculture for consideration with respect to the agricultural features thereof; be it further

Resolved, That said bill shall be reported on respectively by each of said committees within 60 days from the date of its reference to each of said committees and that the first 60-day period shall be calculated from the date of the passage of this resolution.

The VICE PRESIDENT. Is there objection to the consideration of Senate Resolution 97?

Mr. RUSSELL. Mr. President, yesterday the senior Senator from South Carolina [Mr. MAYBANK] and I introduced a bill (S. 737) providing for the creation of a Savannah Valley Authority. At the time when the bill was introduced, I requested that it be given the same direction in respect to its reference as might be given in the case of the Missouri Valley Authority bill. There is really no occasion to have the bill affecting the Savannah Valley go to the Committee on Irrigation and Reclamation, because no question of irrigation is involved. Therefore, Mr. President, I ask unanimous consent that the bill be considered by the Committee on Commerce for a period not exceeding 60 days, and that it then be referred to the Committee on Agriculture and Forestry, because there is really no irrigation problem involved in connection with the creation of the proposed authority.

The VICE PRESIDENT. Without objection, it is so ordered.

The Parliamentarian has called the attention of the Chair to Senate Resolution 97, which has been read and which covers the situation relative to the Missouri Valley Authority bill, as set forth in the discussion held between the Senator from North Carolina [Mr. BAILEY] and the Senator from Montana [Mr. MURRAY]. If there is no objection, Sen-

ate Resolution 97 will be considered in place of Senate Resolution 78.

Mr. BARKLEY. Mr. President, the Senator from North Carolina moved that the resolution which he has previously offered be adopted, in lieu of the original resolution offered by the Senator from Montana [Mr. MURRAY].

Let me make the following observation: I shall not raise objection to the arrangement made between the Senators in regard to these particular bills; but I think it is a questionable practice to have bills go to two, three, or four committees for consideration ad seriatim, before the Senate can have them for consideration in the Senate itself—all of which emphasizes what I have complained about for a number of years, namely, the indefiniteness of the Senate rules with respect to the jurisdiction of committees. When a bill is introduced it should go to one committee. There should be a definite rule regarding where it should go, dependent upon the substance of the bill and, at least, the major portion of the matters with which it deals. I may feel somewhat strongly about this subject because of my long service in the House of Representatives, where there are definite rules relative to the committees to which measures shall be referred.

I simply wish to observe that the adoption of the proposed procedure in regard to the Missouri Valley Authority bill and the bill offered by the Senator from Georgia and the Senator from South Carolina should not be taken as a precedent or as an indication of a trend toward a practice in the Senate of having bills referred to two or three committees before they can be considered by the Senate itself.

I am not going to raise that question about these particular bills; but I think it would cause infinite chaos in the handling of legislation by the Senate if we were to adopt the practice that in the case of a bill which deals with several subjects, all the committees which have jurisdiction of the separate subjects covered by the bill shall have a whack at it before action can be taken by the Senate.

I hope the action just taken will not be regarded as a precedent which will bind the Senate in the future in regard to the handling of bills.

Mr. MAYBANK. Mr. President, will the Senator yield?

Mr. BARKLEY. I yield.

Mr. MAYBANK. I should like to say to the Senator from Kentucky that when the Senator from Georgia [Mr. RUSSELL] and I introduced the Savannah Valley Authority bill, the reason why we requested that it go to the committees as thus determined by the Senate was that at that time the motion relative to the Missouri Valley Authority bill was pending before the Senate. We were perfectly willing to have our bill referred to whatever committee the Senate decided was the proper one.

Having made the motion that our bill be treated in the same way that the Missouri Valley Authority bill is treated, I thank the Senator for not objecting, and I thoroughly agree with him about the disposition of it.

Mr. BARKLEY. Yes.

The CHIEF CLERK. At the end of the bill it is proposed to add a new section, as follows:

Sec. 3. Subsection (b) of section 3 of the Securities Act of 1933, as amended, is amended by striking out "\$100,000," where it appears in such subsection, and inserting in lieu thereof "\$300,000."

The VICE PRESIDENT. The question is on agreeing to the amendment offered by the Senator from Michigan.

Mr. VANDENBERG. Mr. President, I dislike this method of legislation, but this particular amendment has been pending in the form of a bill before the Senate Committee on Banking and Currency since last August without any action. It involves a matter of very great importance especially to small business in the United States particularly during the reconversion period. The amendment has the support of the Securities and Exchange Commission; it was drawn in cooperation with Chairman Purcell of that Commission; it has no opposition, so far as I know, from any quarter. It is simply inexplicably stymied in committee.

I shall state what the amendment proposes to do. At the present time new issues of securities down to \$100,000 have to pass through the entire routine of the S. E. C. In many aspects it is an expensive routine; for small issues it is a very burdensome routine in respect to the engineering and accounting reports which are required. As a result it is asserted by spokesmen for small business in this country—and their case seems to be well sustained—that it is frequently impossible under existing circumstances to float small issues of stocks or bonds.

It is perfectly obvious that it is important to release small business to every possible opportunity it can enjoy in the difficult economic days ahead. The purpose of this bill, I repeat, is to increase the exemption limit from \$100,000 to \$300,000 as respects S. E. C. To that extent it enlarges the opportunity of small business to finance itself, free of the burden of S. E. C. rules and regulations in respect to the considerations I have indicated.

I repeat that the proposal has the approval of the Securities and Exchange Commission. I repeat that the figure itself was fixed in conference with Chairman Purcell, of the S. E. C., and I know of no reason in the world why the amendment should not be adopted. In the form of a bill it has lingered 8 months in the pigeonholes of the Committee on Banking and Currency and I think it is about time that it had its day in court. Wherefore, I submit the amendment.

Mr. RADCLIFFE. Mr. President, while the amendment offered by the Senator from Michigan is not strictly germane to the bill the Senate is now considering, I have no objection whatever to the amendment being accepted.

Mr. WAGNER. Mr. President, as chairman of the Committee on Banking and Currency, I may say that I have no objection to the amendment. The committee would have reported the bill from which the amendment is taken at a time when we were not too busy.

Mr. BARKLEY. Mr. President, in that connection I think it ought to be said

in fairness to the committee that the bill embodying the amendment has not been before the committee since last August. August was in the last Congress, and the bill was introduced and was before the committee during the remaining days of that session, but this is a new Congress and the bill referred to by the Senator from Michigan is a new measure which has only been before the committee since a certain day in January.

Mr. VANDENBERG. That is correct, but it has been before the same committee all the time and it has had the same lack of success in both sessions up to date.

Mr. VANDENBERG subsequently said: Mr. President, earlier in the afternoon on my motion the Senate adopted the S. E. C. amendment to Senate bill 681. I neglected to state at that time that the amendment is based fundamentally on the report of the Senate Special Committee on Post-war Economic Policy and Planning. I ask that at the point where the discussion originally occurred paragraph No. 12 of the report of the committee, dealing with equity investment, be printed in the RECORD.

There being no objection, the matter was ordered to be printed in the RECORD, as follows:

(12) Equity investment: Revised taxation is not the only means of stimulating equity investment. It is strongly contended, from many sources, that the Securities and Exchange Act makes equity financing of small businesses practically impossible. That act should be examined with a view to retaining its salutary provisions and eliminating those that make the floating of new small security issues so troublesome and expensive that they are practically prohibited. The study might well be extended to all other practices that are restrictive upon the financing of new equity issues.

The VICE PRESIDENT. The question is on agreeing to the amendment offered by the Senator from Michigan.

The amendment was agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

Mr. BARKLEY. Mr. President, that, I understand, completes the calendar. There is a bill which went to the foot of the calendar which I think should be considered now.

Mr. WILEY. Mr. President, will the Senator yield to me on calendar business?

Mr. BARKLEY. Yes, or any other business.

Mr. VANDENBERG. Ad seriatim. [Laughter.]

Mr. WILEY. Mr. President, a number of bills have been reported which are not on the calendar and which have no accompanying written reports. Included in the number is Senate bill 316, for the relief of June I. Gradijan. I ask to revert to that bill, and I shall make a brief explanation.

The VICE PRESIDENT. The Chair is informed that the bill referred to by the Senator from Wisconsin was passed.

Mr. WILEY. I am very happy to know that. I thought I heard one of the Senators say "over".

The VICE PRESIDENT. The preceding bill was passed over.

Mr. WILEY. I am happy to know that the one I have in mind has been passed.

SUBSIDY PAYMENTS TO STRATEGIC METALS, MINERALS, PETROLEUM, AND PETROLEUM PRODUCTS

Mr. BARKLEY. Mr. President, there is a bill on the calendar which was passed over.

Mr. MURDOCK. Mr. President—

Mr. BARKLEY. I had in mind the bill in which the Senator from Utah and other Senators are interested.

The VICE PRESIDENT. The bill will be stated by title, for the information of the Senate.

The CHIEF CLERK. A bill (S. 502) to permit the continuation of certain subsidy payments with respect to strategic materials and minerals and petroleum and petroleum products.

Mr. MURDOCK. I move that the Senate proceed to the consideration of the bill, the title of which has just been stated.

The VICE PRESIDENT. The question is on the motion of the Senator from Utah.

The motion was agreed to; and the Senate proceeded to consider the bill (S. 502) which had been reported from the Committee on Banking and Currency with an amendment to strike out all after the enacting clause and insert:

That the last paragraph of section 2 (e) of the Emergency Price Control Act of 1942, as amended by the Stabilization Extension Act of 1944, shall not apply, with respect to operations for the fiscal year ending June 30, 1946, to corporations created or operations authorized to be performed pursuant to section 5d (3) of the Reconstruction Finance Corporation Act, as amended: *Provided*, That with respect to such corporations and such operations the making of subsidy payments and buying for resale at a loss for the purpose of maintaining maximum prices established pursuant to provisions of the Emergency Price Control Act of 1942, as amended and supplemented, shall be limited as follows:

(a) Payments or purchases may be made after June 30, 1945, in such amounts as may be necessary to fulfill obligations incurred prior to July 1, 1945, with respect to 1945 and prior fiscal-year activities.

(b) Payments and purchases may be made with respect to operations for the fiscal year ending June 30, 1946, which involve subsidies and anticipated losses as follows:

(1) With respect to materials or commodities, other than rubber and rubber products, produced outside the United States, in an amount not to exceed \$80,000,000;

(2) With respect to rubber and rubber products produced outside the United States, in an amount not to exceed \$30,000,000;

(3) With respect to materials or commodities produced within the United States, as follows:

(A) Meat in an amount not to exceed \$560,000,000;

(B) Butter in an amount not to exceed \$100,000,000;

(C) Flour in an amount not to exceed \$190,000,000;

(D) Petroleum and petroleum products in an amount not to exceed \$290,000,000;

(E) Copper, lead, and zinc, in the form of premium payments, in an amount not to exceed \$88,000,000; and

(F) Other materials or commodities in an amount not to exceed \$100,000,000;

Provided, That in the event the entire amount of any of the above allocations is not required for its purpose, the unused portion of such allocation, but not to exceed 10 percent of such allocation, may be used for making such payments on and purchases of any other item or items enumerated in this act, as may be

determined by the Director of Economic Stabilization: *Provided further*, That the premium price plan for copper, lead, and zinc shall be extended until June 30, 1946, on the same terms as heretofore, except that all classes of premiums shall be noncancelable unless necessary in order to make individual adjustments of income to specifications.

Mr. MURDOCK. Mr. President, this bill is of the utmost importance to the war program, and also to the control of inflation. The purpose of the bill is to permit the continuance for the fiscal year ending June 30, 1946, of certain subsidy payments which are now paid by corporations created under section 5d (3) of the Reconstruction Finance Corporation Act, as amended. The legislation is necessary by reason of a provision, section 2 (e), which was added to the Emergency Price Control Act by the Stabilization Extension Act of last year.

The amendment referred to is an amendment which was placed in the bill by the Senator from Ohio [Mr. TAFT] and reads as follows:

After June 30, 1945, neither the Price Administrator nor the Reconstruction Finance Corporation nor any other Government corporation shall make any subsidy payments, or buy any commodities for the purpose of selling them at a loss and thereby subsidizing directly or indirectly the sale of commodities, unless the money required for such subsidies, or sale at a loss, has been appropriated by Congress for such purpose; and appropriations for such purpose are hereby authorized to be made.

I do not believe any Senator has any quarrel whatever with the soundness of the principle of that amendment, but it was found very inconvenient, to say the least, if not impossible, to carry on the programs which are referred to in the amendment by coming to Congress for specific appropriations. The same amendment applied to the Commodity Credit Corporation, and about 2 weeks ago the Banking and Currency Committee of the Senate reported a bill to the Senate which relieved the Commodity Credit Corporation from the provisions of the Taft amendment but did limit in terms of dollars what this agency could spend in the way of subsidies.

Then the Senator from Arizona [Mr. MCFARLAND], for himself and for a number of other western Senators, including myself, the Senator from Nevada [Mr. SCRUGHAM], the Senator from Arizona [Mr. HAYDEN], the Senator from Montana, [Mr. MURRAY], the Senator from New Mexico [Mr. HATCH], the Senator from Idaho [Mr. THOMAS], the Senator from Utah [Mr. THOMAS], and the Senator from Colorado [Mr. JOHNSON], introduced Senate bill 502, to relieve from the application of the Taft amendment strategic and critical minerals and metals, and also petroleum and petroleum products.

After the introduction of the bill and its reference to the Committee on Banking and Currency, a subcommittee was appointed to consider it. The subcommittee consisted of myself as chairman, the Senator from Arizona [Mr. MCFARLAND], the Senator from Idaho [Mr. TAYLOR], the Senator from Ohio [Mr. TAFT], and the Senator from Idaho [Mr. THOMAS].

We began hearings on the bill, and the R. F. C. subsidiaries, which were affected, and also the Foreign Economic Administration, appeared before the subcommittee through their representatives, and after thorough consideration the subcommittee decided that we should not only include in the bill strategic and critical minerals and metals and petroleum and petroleum products, but also the other subsidy programs which have been in effect for the last 2 or 3 years.

The amendment which is now before the Senate follows almost the identical pattern that was adopted with reference to the Commodity Credit Corporation. The total amount authorized in the bill is \$1,468,000,000. On each item or group of commodities there is a dollar limitation, just as was provided in the Commodity Credit Corporation Act.

It should be said, Mr. President, that of the \$1,468,000,000 provided for, at least \$500,000,000 is taken up by Government purchases, so that the net amount for which the bill provides is about \$900,000,000. This amount, coupled with the \$845,000,000 that is provided in the Commodity Credit Corporation Act, brings the entire subsidy program within the \$2,000,000,000 estimate which has been recommended and estimated by the agencies involved to the Committee on Banking and Currency as sufficient to do the job.

I do not know that there is anything further to be said on the matter, unless some Senator has a question to ask. It seems to me that it is imperative that the bill be passed at once, and that the programs as outlined in the bill be carried on.

I might also say that, with reference to the metals program, which is a program affecting copper, lead, and zinc, it was just impossible to get the proper and necessary production of those metals without a continuance of the subsidy program.

There is one other amendment to be offered, which is a committee amendment, and has to do with 500,000 tons of bauxite ore in Arkansas, which is already blocked out, ready for mining, and if it is not mined, in all probability it will be lost permanently to the owners and to the country. This amendment, which was offered by the Senator from Arkansas [Mr. FULERIGHT] in the Committee on Banking and Currency, provides that the Metals Reserve Corporation may continue to buy this bauxite ore at the price they were paying prior to the discontinuance of the purchase program, on the recommendation of the Bureau of Mines, but that the total amount to be purchased shall not exceed 500,000 tons. It would seem very unwise to let this tonnage of bauxite be permanently lost as it is a very important source of aluminum.

Mr. AIKEN. Mr. President—

The VICE PRESIDENT. Does the Senator from Utah yield to the Senator from Vermont?

Mr. MURDOCK. I yield.

Mr. AIKEN. What disposition is made or what becomes of the profits on the sales which these Government corporations make to the Army and Navy Departments and to the Maritime Commis-

sion? As a specific example, there is provided a \$60,000,000 appropriation for rubber and rubber products purchased outside the United States. According to testimony which was given before the Committee on Agriculture and Forestry last year, on all the sales which the Rubber Reserve Company makes to other Government agencies, there is a markup of 17½ cents a pound in the price. Apparently that would represent a substantial profit. What becomes of that profit? Does it go into a revolving fund, or is it added to the appropriation made by the Congress, or what does become of it?

We also had testimony to the effect that the price of alcohol was marked up. I believe the Defense Supplies Corporation controls the alcohol output of the country, and when it sold to the Army and Navy there was a mark-up in the price which would represent a profit. I do not know whether the same is true of sales by the Metals Reserve Company, but it would appear that there might be profits made involving hundreds of millions of dollars, and I am wondering what is done with the money.

Mr. MURDOCK. I do not know that I can correctly answer the Senator as to just what was done with it, but I would assume, of course, that the corporation making the profit would certainly be accountable for the profits coming to it. I do not know of any provision which carries profits into the general fund or into any other fund, so I assume that the profits, whatever they are, accumulate within the corporation which makes them, and certainly are to be accounted for in some method sooner or later. I cannot specifically give the Senator the correct answer.

Mr. AIKEN. I wonder if that is taken into consideration when corporations like the Reconstruction Finance Corporation come before the committee for their appropriations. The Senator probably recalls that a year and a half ago the chairman of the Reconstruction Finance Corporation came before the Committee on Banking and Currency.

Mr. MURDOCK. Not for an appropriation, but for an authorization to increase its borrowing power.

Mr. AIKEN. It had to save \$5,000,000,000 before night, or the next day, at the latest.

Mr. MURDOCK. The Senator is correct.

Mr. AIKEN. Otherwise the Reconstruction Finance Corporation would fold up. As the Senator recalls, the committee refused to give the appropriation, the Reconstruction Finance Corporation did not fold up, and the Chairman never came back.

Mr. MURDOCK. I realize that what the Senator says is true, that Mr. Jones did come before the Committee on Banking and Currency and ask for an expansion, to the extent indicated, of the borrowing powers of the Reconstruction Finance Corporation. The expansion was not granted, and Mr. Jones, for some reason, did not see fit to come back; why, I do not know. I have not the answer.

Mr. AIKEN. He evidently got the money in some other way.

Mr. MURDOCK. I think it is a certainty that sooner or later the Reconstruction Finance Corporation and all its subsidiaries must account to the Congress for the profits they have made or the losses they have sustained.

Mr. AIKEN. The legislation that was enacted last month requiring an audit of all these corporations should furnish the information which the committee needs.

Mr. MURDOCK. I think the Senator is correct.

Mr. AIKEN. It seems to me that before we proceed with too many more appropriations we should have that information, and find out how much profit these Government corporations are making from other agencies of Government, and take that matter into consideration in making the annual appropriations.

Mr. MURDOCK. Mr. President, I do not think any Senator is more interested in the subject the Senator from Vermont is talking about than the able Senator from Ohio [Mr. TAFT] who offered the amendment which it now becomes necessary to suspend temporarily in order to carry on these subsidy programs. I do not believe he would have joined in reporting this bill to the Senate had he not been thoroughly convinced that it was imperative that the bill be enacted into law. I am hopeful legislation will be enacted which will give the Congress the full picture with reference to the R. F. C. and all its subsidiaries, but I do not believe the pending bill should be held up until that is done. I think it is imperative in the war program that the bill be passed. I am quite sure the able Senator from Ohio will join me in that statement. By this bill we are putting a dollar limitation on each item which is involved in the subsidy program or in the program of purchase for sale at a loss for the purpose of maintaining the ceiling prices.

Mr. AIKEN. I believe the Senator is correct in saying that this measure should be passed at this time. Of course theoretically it provides for purchase and resale at a loss. What I was inquiring about was the things which are purchased and resold at a profit, and what became of the profit.

Mr. MURDOCK. Of course, the pending bill has nothing to do with that.

Mr. MILLIKIN. Mr. President, will the Senator yield?

Mr. MURDOCK. I yield.

Mr. MILLIKIN. I invite the distinguished Senator's attention to the language of the bill on page 4, commencing with the word "provided", in line 6, as follows:

Provided further, That the premium price plan for copper, lead, and zinc shall be extended until June 30, 1946, on the same terms as heretofore, except that all classes of premiums shall be noncancelable unless necessary in order to make individual adjustments of income to specific mines.

May I ask also for the special attention of the distinguished chairman of the

committee, the Senator from New York [Mr. WAGNER]. I notice in the report on page 4 the following language relating to that provision:

The provision for making adjustments of individual premiums while prohibiting cancellation across the board is to preserve the present method of adjusting quotas upward and downward to return the producer a reasonable profit plus amortization and other allowances, and at the same time to prevent excessive windfalls due to development of richer ore bodies. In making such adjustments in specific cases, it may be necessary to cancel an individual C, B, or special additional copper premium, or later, if costs rise or grade of ore drops, to restore such premiums in whole or in part, but it is not intended that initial A quotas shall be raised. The committee did not wish to prevent necessary flexibility but did want to prohibit using cancellation as a mechanism for forcing mines to shut down. Neither is it intended to interfere with the right to add new classes of premiums if the agencies feel that this will benefit or increase the production of copper, lead, and zinc.

Mr. President, may I inquire of the chairman of the committee whether this report which I have read is the official committee interpretation of the language of the bill?

Mr. WAGNER. I think it is.

Mr. MILLIKIN. And is that the understanding of the distinguished Senator from Utah [Mr. MURDOCK]?

Mr. MURDOCK. It is my definite understanding that the part of the report read by the able Senator from Colorado particularly referring to the metals program is the committee's official construction of the bill as it relates to metals. However, the committee was very desirous of making it impossible for the War Production Board or any other agency on its own volition to cancel the program, and for that reason we have made the program effective until June 30, 1946, so that the mining industry of the country will be assured that the program will be carried out until that date.

Mr. MILLIKIN. I notice in the report that copper is mentioned specifically. The language in the report is not intended to be confined to copper, but extends to all the other metals?

Mr. MURDOCK. The bill extends the same principle to the other metals and the report specifically referred to copper as an example.

Mr. MILLIKIN. May I ask the Senator further whether the views expressed in the report and the language of the bill have been discussed with the appropriate agencies of the Government so that they understand what we intend to do by this bill?

Mr. MURDOCK. The Senator from Colorado is correct in that assumption.

Mr. MILLIKIN. I thank the Senator.

Mr. TAFT. Mr. President, I wish to say a word about the subsidy program. This bill in substance authorizes the continuation of the present subsidy program from July 1, 1945, to July 1, 1946. The subsidy program started some time ago. I see the distinguished former Senator from Michigan, Mr. Brown, in the Chamber. He had a good deal to do with the early days of subsidy. In the beginning these mineral subsidies were started by

the R. F. C. without any authority from Congress. Then the subsidies were extended to pay for the extra cost of the transportation of gasoline to the east coast, the extra cost resulting from the transportation by rail instead of the transportation by tanker. Those subsidies were gradually extended.

Then the Commodity Credit Corporation and the R. F. C., at the request of the O. P. A., established various consumers' subsidies and producers' subsidies for the purpose of holding down the prices of commodities. I think those subsidies were undertaken for the most part without any legal authorization whatever, and in some cases I thought in violation of the law. At first they were smaller. When we first had them called to our attention they might have been running one-half billion dollars a year. Today, the two measures relating to the Commodity Credit Corporation and the R. F. C. authorize subsidies in a total sum of \$2,400,000,000 a year, and that is a direct loss to the Treasury of the United States.

Last year we enacted a law providing that this could no longer be done after the 1st of July of this year without appropriation by Congress. It seems to me the President should have included in his Budget the necessary appropriation of \$2,400,000,000. In any intelligent consideration of the current Budget, in any intelligent consideration of the total appropriation made by the Congress, we should include this \$2,400,000,000, because it is just as much a loss, it is just as much out-of-pocket expense, it is just as much an addition to the national debt as any appropriation made by Congress.

The President did not include these appropriations in his Budget, which was required really by the laws we passed last year. Instead of that, a bill was introduced to repeal that law. In effect the committee compromised with the Commodity Credit Corporation and the R. F. C. by saying, "All right, we will not require you to go to the Appropriations Committee. We will consider it, but we will only authorize an express amount for each subsidy, so that after this bill is passed you cannot substantially change the subsidy program."

For a long time, Mr. President, I have been trying to pin down subsidies. I think a year or a year and a half ago I tried to have passed a provision that subsidies shall stop where they are. Instead, Congress prohibited subsidies entirely. The bills were then vetoed by the President and sent back to the Congress. They were not passed over his veto. The net result was that the corporations had unlimited authority, so far as they could find or borrow money, to continue to pay subsidies in unlimited amounts. Finally, when we have got around to the business of pinning it down, subsidies have reached \$2,400,000,000. I think it might be pointed out that of that sum, \$1,700,000,000 is for the purpose of holding down the prices of foodstuffs; and of that sum, probably more than \$200,000,000 is for the purpose of holding down the prices of foodstuffs bought by the Government. So it does not represent a total

loss. Because of that fact, the probable actual cost is less than \$1,500,000,000 today.

Mr. CORDON. Mr. President, will the Senator yield?

Mr. TAFT. I yield.

Mr. CORDON. Does the Senator mean that that is the cost for 1 year?

Mr. TAFT. Yes. I am speaking of an annual program. I think the whole subsidy program is a very dubious one. We could save the Government approximately \$560,000,000 by allowing the price of meat to go up 3 or 4 cents a pound. We could save the Government \$190,000,000 by permitting the price of bread to go up a cent a pound. We could save \$400,000,000 or so by letting the price of milk go up 2 cents a pound. At a time when people have more money than they have ever had before in their lives, I believe it might be well to let them pay that amount.

On the other hand, the metal subsidies have saved the Government a great deal of money. By paying subsidies of \$88,000,000 for copper, lead, and zinc, we are probably saving the Government \$400,000,000 or \$500,000,000 a year. We subsidize only the high-cost producers, which enables us to hold down the price for everyone else.

Mr. AIKEN. Mr. President, will the Senator yield?

Mr. TAFT. I yield.

Mr. AIKEN. I notice that the appropriation for the butter subsidy is \$100,000,000. Is not that approximately what was paid last year?

Mr. TAFT. Yes. The butter subsidy is not increased. The actual present subsidy on butter, which is 10 cents a pound, represents about \$90,000,000; and we allowed a little leeway in the total.

Mr. AIKEN. The new subsidy on butter does not go into effect until the 1st of April, does it?

Mr. TAFT. This is the roll-back subsidy, the R. F. C. subsidy of 10 cents. There is also a subsidy of 5 cents a pound on butter, which is paid directly to the producer. Provision for that subsidy is in the Commodity Credit Corporation bill.

Mr. AIKEN. That is the answer to the question I was about to ask. I was about to ask where the other money came from.

Mr. TAFT. The other money is from that source.

Mr. President, I do not approve the subsidy program. On the other hand, I do not believe we should interfere with that program today. I think we are approaching the end of the war. I think we should certainly consider, for example, the question of the \$290,000,000 subsidy on oil. I believe that probably \$127,000,000 of it is for the transportation of gasoline to the east coast. We are reaching the point where we may be able to go back to tankers for that purpose. As soon as that can be done, we ought to be able to get away from that subsidy as far as possible. Plans should be made to reduce subsidies gradually.

Incidentally, the dairy cooperative association suggested before our committee yesterday a plan for gradually stepping the subsidies down and increasing the prices at intervals of 6 months until

the subsidies disappear. Certainly it would be most unfortunate if we should enter the period of peace still undertaking to subsidize the price of food.

Mr. President, I see no alternative to the passage of this bill and the authorization of this amount. We have not held the R. F. C. down very closely. There is a little margin; and yet it cannot take a program which is now \$2,300,000,000 and step it up to \$3,000,000,000. It cannot substantially change the nature of the program or expand it in any material degree without coming back to Congress. I believe that if we had adopted that policy 2 years ago, it would have saved the Government a great deal of money. I doubt if the increase in prices which would have resulted would have seriously interfered in any way with the war effort.

Mr. WHERRY. Mr. President, will the Senator yield?

Mr. TAFT. I yield.

Mr. WHERRY. As I understand the purpose of this bill, we are accomplishing two things: First, the Congress is authorizing, for the first time, the payment of all the subsidies under a subsidy program.

Mr. TAFT. If this bill were not passed, all subsidies would come to an end on the 1st of July.

Mr. WHERRY. Are not some subsidies being paid now without the authorization of Congress?

Mr. TAFT. That is a legal question. I have never thought that the Commodity Credit Corporation had authority to pay milk subsidies. I have always doubted the authority of the R. F. C. to pay roll-back subsidies. However, those are legal questions which are disputed. There has never been express authority from Congress to pay subsidies. Government corporations have used for subsidies money which has been given to them for general purposes, and perhaps because of the breadth of the powers given those corporations, they may have had the legal authority to do so.

Mr. WHERRY. Mr. President, I should like to ask another question, if the Senator will yield.

Mr. TAFT. I yield. I might point out that they did so in violation of the express opinion of Congress, because twice we passed bills prohibiting subsidies. Those bills were vetoed by the President of the United States.

Mr. WHERRY. My understanding is that the total subsidy program will be continued for 1 year; that is, until June 1946.

Mr. TAFT. And then all subsidies will stop, except to the extent Congress may again authorize them to continue. In other words, the subsidy program must be submitted to Congress every year, just as appropriations for the Army and Navy are submitted to Congress every year. That is the condition. In effect, this is a combination appropriation and authorization bill dealing with this particular subject.

Mr. WHERRY. I should like to ask one further question. As I understand, the total amount of the subsidies which we expect to pay in the next year is \$2,400,000,000.

Mr. TAFT. Two billion three hundred and twenty-eight million dollars. That is probably a somewhat liberal estimate. I think there is probably 10 percent extra which will not have to be spent. I should say that the program is closer to \$2,100,000,000 than the total of this authorization.

Mr. WHERRY. As I understand, the purpose of these subsidies is to help to produce metals and products for the war effort.

Mr. TAFT. No; it is not really for that purpose. It is primarily to hold down the prices of such products to the consumer and to the Government.

Mr. WHERRY. But indirectly the Government benefits by some subsidies.

Mr. TAFT. The Government benefits greatly by the metal subsidies. It benefits to the extent of approximately \$280,000,000 in the case of the food subsidies, and there is probably another \$100,000,000 of benefit from other subsidies. So, with respect to the total of \$2,300,000,000, I should say that we must somewhat discount the ultimate expense to the Government. Perhaps one and a half billion dollars represents our actual out-of-pocket loss, as compared with no subsidy program at all.

I have always been in favor of those subsidies by which the Government made a profit—subsidies whereby, by subsidizing one thing, there is a price effect on a series of commodities, thereby saving the consumer or the Government much more than the amount of the subsidy paid. But I have never believed in subsidies "across the board"—subsidies which cost the Government every cent of benefit to the consumer. It seems to me that in such cases the consumer rather than the Government should bear the cost.

Mr. WHERRY. That is the question in which I am interested. Let us consider the food subsidies. Two or three days ago on the floor of the Senate the distinguished Senator from Ohio gave us a statement relative to all the money we have in the United States. He referred to \$26,000,000,000 or \$27,000,000,000 in Federal banknotes and seventy-six and a half billion dollars in time and demand deposits. If I correctly remember, the distinguished Senator said that, in all, we had approximately \$200,000,000,000, including reserves in other countries with which there will be an opportunity to do business.

Was any testimony taken before the Senator's committee justifying even the payment of food subsidies at this time when all this money is on hand?

Mr. TAFT. No testimony was taken, but I think it is fair to say that the argument of the Office of Price Administration on the subject is that they have now succeeded in stabilizing the cost of food, that the cost of living has not gone up more than 1½ percent in approximately 18 months, and that if today they add to the consumers' bills by increasing prices, a spiral of increases which would produce inflation might be started. I have never agreed with that argument, but many persons do agree with it.

My belief is that we should say to the Office of Price Administration: "All right; we grant the authority to pay the

subsidy; but if you face this problem further, if you permit costs to rise further"—because while this 1½ percent increase has occurred in prices of food, wages have risen in the past 2 years and other costs have increased—"if you are going to let the costs of food increase, you will be compelled to let other costs go up, because you will have no reserves upon which to draw." That is approximately the position I take on the bill.

Mr. President, I ask that a description of the principal subsidies covered by this bill be printed in the body of the RECORD at this point, as a part of my remarks.

There being no objection, the matter referred to was ordered to be printed in the RECORD, as follows:

MEAT

The meat subsidy started June 7, 1943, to make it possible for the Office of Price Administration to roll back the prices of dressed meat. Payments are made to slaughterers who slaughtered more than 2,500 pounds a month, on live weight of the animals. The original rates were \$1.10 per hundredweight on cattle and calves; 95 cents on sheep and lambs; \$1.30 on hogs and pigs. No changes in the rates have been made to affect payments on hogs, sheep, or calves.

The subsidy was changed on cattle by a directive of the Office of Economic Stabilization October 26, 1943, which set up the so-called cattle stabilization plan. Under this plan, payments were made on cattle according to the grade. AA, \$1 per hundredweight; A, \$1.45 per hundredweight; B, 90 cents per hundredweight; C, cutter and canner and bologna bulls, 50 cents per hundredweight.

The cattle stabilization program involved also price compliance with a so-called floor and ceiling on livestock which consisted of prices by zones certified to Defense Supplies Corporation by the O. P. A. and the W. F. A. Every slaughterer who slaughtered more than 25,000 pounds of cattle per month was required to report his cost of cattle. The amount that this cost of cattle exceeded his maximum permissible payment or was below his minimum permissible payment, was deducted from the amount of his claim.

Under the directive of January 19, 1945, of the Office of Economic Stabilization, the rates on cattle were changed to \$2 on AA, \$1.95 on A. On the lower grades the rates remained the same. The price-compliance provisions as to livestock stayed the same in essentials, although the livestock prices on AA and A were increased. Since the directive, the minimum slaughter which requires an applicant to report his cost of cattle was raised from 25,000 pounds to 50,000 pounds, including both cattle and calves. Under the directive of the O. E. S. of January 30, 1945, subsidy payments on cattle, calves, and hogs are limited to a certain percentage of the amount of slaughter for which applicant filed a claim for subsidy in the corresponding month in 1944 if the slaughter is not performed in a federally inspected establishment. The W. F. A. provides the percentages, which may change from time to time. At the present time, they are 100 percent on cattle and calves and 50 percent on hogs.

There is also an extra-compensation program in connection with the cattle-stabilization program. This provides for payments of 80 cents per hundredweight on cattle to non-processing unaffiliated slaughterers who sold in 1942 and who currently sell 98 percent or more of the beef produced from their cattle slaughter in the form of carcasses, wholesale cuts, boneless beef, and ground beef.

On recent reduced volume of meat production, subsidy payments are averaging about \$37,000,000 a month; during previous months the average was nearer \$40,000,000 or

\$480,000,000 a year. The hog crop in 1945-46 will undoubtedly be very large as a consequence of the current very high hog prices. If the crop is up to expectations, \$60,000,000 extra will be needed for the increased hog payments.

The subsidy rates on cattle have recently been increased, with an expected increase in cattle payments of about \$59,000,000 a year. If the present rates remain unchanged and present estimates of slaughter volume are correct, the cost of the meat subsidy would be about \$600,000,000 in the fiscal year 1945-46.

BUTTER

Subsidy payments are made to operators of plants manufacturing dairy products on the amount of the butter produced each month to compensate them for a reduction in butter prices under Office of Price Administration regulations. Payments are made at the rate of 5 cents per pound both on ordinary butter and process butter.

This program was effective June 1, 1943, and has continued in effect without change from the beginning of the program.

The payments on butter during the first 18 months averaged \$6,500,000 a month. If butter production is at the same volume during the fiscal year 1945-46, the cost of the subsidy would be \$78,000,000. Butter production has been very low in 1944 and 1945, and is expected to continue low through 1946. It may well, however, recover in the first half of 1946 even if the war still continues, if War Food Administration's current attempts to encourage production are successful. Normal production during the first half of 1946 would increase the cost of the subsidy by \$6,000,000 for the year.

The original estimate of the Office of Price Administration of the cost of the butter subsidy for a fiscal year was \$100,000,000, on the basis of normal production. For the calendar year 1945, butter production is now expected to be no more than one and one-half billion pounds, indicating a subsidy of \$75,000,000; this, of course, is minimum expectation and is the amount that is actually allocated in advance for consumption.

The minimum we could safely estimate for the fiscal year 1945-46 this far in advance on the assumption neither part of the war will end before December 1945, would be \$90,000,000 for butter; \$100,000,000 would undoubtedly be sufficient for all contingencies, including early end of the war.

FLOUR

The flour subsidy started December 1, 1943. The payments made to mills on the wheat ground into flour compensate them for the difference between market prices for wheat and the wheat cost on which the Office of Price Administration flour ceilings are based. The rates of payment vary monthly with the wheat market. While payments are on production, the applicable month's rate is determined for large mills by the date the flour was sold. Small mills are entitled to payment at the rates in effect during the month of grind to enable them to avoid bookkeeping problems.

Because of the use of flour sales to determine which month's rate is applicable, deductions were made at the beginning of the program on sales made before December 1, 1943. Sales of flour are the almost exact equivalent of the wheat which has been purchased by the mill. Consequently, no payments were made on wheat purchased before the program began. On termination of the program, we will pay on wheat purchased during the subsidy period by payments on flour sold in an amount not greater than the deduction at the beginning of the program provided the wheat was ground within 120 days after termination.

The production of flour is estimated to continue at about present high levels and the wheat crop is expected to be large enough to take care of full demand. For a flour produc-

tion of 265,000,000 hundredweights—a little below the calendar year 1944—about 622,000,000 bushels of wheat would be used. The subsidy rate varies with the wheat market, and if wheat stays at full ceilings with parity unchanged, would average about 30 cents a bushel. The maximum cost of the subsidy for the fiscal year 1945-46 would be \$190,000,000 on these assumptions. If the price of wheat is not at full ceilings, but at present levels, the cost would be about 162,000,000.

In the calendar year 1944 payments averaged about \$8,600,000 a month. During that year wheat ceilings were 4 cents lower than at present and the bumper wheat crop forced wheat prices well below ceilings with the subsidy rates correspondingly lower. Rates varied from 0 to 18 cents on soft wheat and from 11 to 25½ cents on hard wheat.

The minimum cost we could properly estimate to safeguard the industry would be \$162,000,000 for flour for the fiscal year 1945-46, if there is no change in parity. One hundred and ninety million dollars should be sufficient to keep wheat at ceiling prices if there is no change in parity.

PETROLEUM

It is estimated that \$290,000,000 will be required for the fiscal year ending June 30, 1946, as follows:

1. Petroleum Compensatory Adjustments Regulation No. 1: Under this program oil companies are compensated for the extra costs involved in transporting petroleum and petroleum products from Petroleum Administration for War District No. 2 and Petroleum Administration for War District No. 3 into Petroleum Administration for War District No. 1 by tank car, pipe line or other substitute methods of transportation as compared with normal transportation by tanker. The purpose of the program is to maintain a steady and adequate flow of petroleum and petroleum products into the Atlantic coast area and to maintain existing price structures.

The program was initiated on August 1, 1942, and was recommended by the Petroleum Administration for War, the Office of Price Administration, the War Department, the Navy Department and the Office of Defense Transportation. It is difficult to estimate the amount of payments which may be made by the Corporation in connection with the programs during any period, inasmuch as, in many instances, payments by the Corporation under the program are netted against revenues received by claimants as a result of specific increases in ceiling prices of certain petroleum products which were authorized by the Office of Price Administration for the purpose of providing compensation for the higher transportation costs involved in shipping petroleum and petroleum products over land to points in Petroleum Administration for War District No. 1 as compared with shipments by ocean-going tankers. In this connection it is estimated that the net loss under the program during the fiscal year ending June 30, 1946, will be in the amount of approximately \$150,000,000.

2. Petroleum Compensatory Adjustments Regulations No. 5: Under this program refiners are compensated for extra transportation costs involved in shipping crude oil by tank cars or barges from points in Petroleum Administration for War District No. 3 and certain Wyoming points in Petroleum Administration for War District No. 4 to destinations in Petroleum Administration for War District No. 2. Under the program, shipments by pipe lines are considered to be the normal means of transportation between the points involved and the extra transportation costs payable by Defense Supplies Corporation are the costs of shipments by tank car or barge in excess of the cost of normal pipe line shipments. The purpose of the program is to provide Petroleum Administration for War District No. 2 refiners with an adequate supply of crude oil to maintain maximum production for war and essential civilian uses.

The program was initiated on December 1, 1943, and was sponsored by the Office of Price Administration, the Petroleum Administration for War and the Office of Defense Transportation.

It is estimated that Defense Supplies Corporation will make payments under the program during the fiscal year ending June 30, 1946, in the amount of approximately \$20,000,000.

3. Stripper-Well Compensatory Adjustment Program: The program is designed to maintain and possibly increase the national production of crude oil. The Office of Price Administration, by increasing the maximum prices of crude produced from fields averaging less than nine barrels daily, per well, makes it economically practical for producers to continue the recovery of crude, to undertake clean-outs and repairs and delay abandonment of old wells. By making premium payments to the first purchasers of crude, the maximum prices for which have been increased, and to the producers of such crude, which is not sold but which is otherwise utilized by the producers, Defense Supplies Corporation maintains the national market price of crude.

The program was initiated in August 1944, and was sponsored by the Office of Economic Stabilization, the Office of Price Administration and the Petroleum Administration for War.

It is estimated that the payments by Defense Supplies Corporation under the program during the fiscal year ending June 30, 1946, will be approximately \$75,000,000.

4. Movement of crude from West Texas to California: Under this program Defense Supplies Corporation pays to purchasers certain excess charges involved in the movement of crude petroleum from West Texas to California over and above the laid-down cost in California of comparable crude petroleum.

The program was initiated in December 1944, and at that time it was contemplated that Defense Supplies Corporation would enter into five or six contracts thereunder under which it was estimated that a maximum of 20,000 barrels of crude petroleum per day would be purchased and shipped. In this connection, however, the Petroleum Administration for War is currently considering recommending to the Corporation that the daily purchases and shipments be increased to 50,000 barrels per day. At this rate, it is estimated that Defense Supplies Corporation will disburse approximately \$45,000,000 under the program during the fiscal year ending June 30, 1946.

Mr. TYDINGS. Mr. President, will the Senator yield?

Mr. TAFT. I yield.

Mr. TYDINGS. I share the view of the Senator from Ohio in favoring the elimination of subsidies at the earliest possible moment. However, I notice that the bill has for its title "A bill to permit the continuation of certain subsidy payments with respect to strategic metals and minerals and petroleum and petroleum products." In the body of the bill I observe that subsidies are provided for meat and butter. It occurs to me that meat and butter are not petroleum products, and that the title should be amended.

Mr. TAFT. The committee has reported an amendment to the title.

Mr. MURDOCK. Mr. President on, behalf of the committee, I offer the amendment which I send to the desk and ask to have stated. I may say that the amendment has been passed on by the committee, and I offer it on behalf of the committee.

The PRESIDING OFFICER (Mr. JOHNSON in the chair). The amendment will be stated.

The CHIEF CLERK. On page 4, at the end of line 11, it is proposed to insert "and that the Metals Reserve Company shall purchase during the fiscal year ending June 30, 1946, at its 1944 price schedule, bauxite produced from such of the underground mines as supplied bauxite to the Metals Reserve Company during 1944 and in such quantities as the Bureau of Mines determines as being subject to permanent loss if not removed prior to June 30, 1946, but not to exceed, however, 500,000 long tons."

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Utah on behalf of the committee.

The amendment was agreed to.

Mr. MURRAY. Mr. President, I offer the amendment which I send to the desk and ask to have stated.

The PRESIDING OFFICER. The amendment will be stated.

The CHIEF CLERK. At the end of the committee amendment it is proposed to insert the following new paragraph:

No Government officer or agent shall have discretion or authority to deny or withhold payment of sums relating to the production or sale of agricultural or other commodities (including livestock and meat) to any currently eligible person, firm, or corporation through executive set-off for any disputed claim, or as a penalty not specified by statute, or otherwise.

Mr. MURRAY. The purpose of the amendment is to prevent the Government from withholding, on the basis of some supposed violation of a regulation or some set-off for some other supposed claim, the payment of a subsidy to which a person or firm is entitled. Many businesses cannot continue in operation if they do not receive the subsidies which are due them. In many cases if the Government holds up the payment of the subsidy, the business must cease operations and retire from the field.

Adoption of the amendment would not mean that the Government would surrender any of its claims. It would be entitled to bring suit against a business concern against whom a claim was made by a particular Government department or agency; and in the meantime the person or firm would be permitted to continue in business.

I think the amendment is a most proper one for the purpose of protecting businesses from arbitrary action on the part of Government officials who seem to think they are entitled to administer the subsidies as a matter of discretion.

As a matter of fact, they have no authority whatever to exercise such discretion. If the subsidy is due, it should be paid. If officials of the Government desire to inflict a penalty on a business, they have a right to proceed in some other manner.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Montana to the committee amendment.

Mr. McFARLAND. Mr. President, will the Senator yield?

Mr. MURRAY. I yield.

Mr. McFARLAND. Does the Senator have in mind cases which demonstrate the need for adoption of the amendment?

Mr. MURRAY. Yes. The need has been demonstrated on several occasions in connection with firms engaged in the meat-packing business. In several cases Government officials have undertaken to suspend the payment of subsidies in connection with price roll-backs because of an alleged violation of a regulation or because the Government claims a set-off against the concern which is entitled to payment of the subsidy.

Mr. TYDINGS. Mr. President, will the Senator yield?

Mr. MURRAY. I yield.

Mr. TYDINGS. Is the payment of the subsidy stopped before the concern is found to have violated the law, or is it stopped merely when the firm is charged with violating the law?

Mr. MURRAY. Payment of the subsidy has been stopped when the firm was charged with violation of the law.

Mr. TYDINGS. In other words, the man is presumed to be guilty, in the first instance; is that the case?

Mr. MURRAY. Yes.

Mr. TYDINGS. Is it the purpose to discontinue payment of the subsidy after the man has been charged with a violation?

Mr. MURRAY. Oh, no.

Mr. TYDINGS. The purpose is to discontinue payment of the subsidy only after the man has been found guilty of the violation; is that correct?

Mr. MURRAY. That is correct.

Mr. McFARLAND. I understand that in the case of a dispute over whether a firm owes the Government money, the Senator's amendment, if adopted, would compel the Government to pay the subsidy; and thereafter the Government could recover as best it could such sums as might be due it.

Mr. MURRAY. Yes. Of course, when the Government has established a claim, it should be entitled to recover; but until such time as the validity of the claim or penalty the Government is attempting to enforce is established, it does not seem to me the business should be closed by the arbitrary withholding of a subsidy to which that concern is entitled.

Mr. McFARLAND. I do not understand that the Senator from Montana contends that the Government has been canceling the subsidies. Did not the Senator say that the Government officials have simply been withholding payment of the subsidy until the disputed sum can be paid?

Mr. MURRAY. Yes; but that is the equivalent of putting the concern out of business, because it cannot continue to operate without the payment of the subsidy.

Mr. MAGNUSON. Mr. President, will the Senator yield?

Mr. MURRAY. I yield.

Mr. MAGNUSON. Let me say to the Senator from Montana that in the past 6 months my attention has been called to the fact that three meat-packing companies have been charged in crim-

inal court with violation of O. P. A. regulations, and in the meantime the subsidies have been withheld. Whether they will be found guilty, I do not know; but they have to wait until the Federal judge sets the case for trial and until the case is heard and decided. The practical effect has been to close all of them and put them out of business. Without regard to the question whether they actually have violated the regulations they are thus put out of business. As the Senator from Maryland has said, the O. P. A. puts them out of business by withholding payment of the subsidies before the court determines whether they are guilty or innocent.

Mr. MILLIKIN. Mr. President, I ask that the amendment be read again.

The PRESIDING OFFICER. The amendment to the committee amendment will be restated.

The CHIEF CLERK. At the end of the committee amendment it is proposed to insert the following new paragraph:

No Government officer or agent shall have discretion or authority to deny or withhold payment of sums relating to the production or sale of agricultural or other commodities (including livestock and meat) to any currently eligible person, firm, or corporation through Executive set-off for any disputed claim, or as a penalty not specified by statute, or otherwise.

Mr. MURRAY. Mr. President, of course, if the claimant of the subsidy is not entitled to it or is not eligible to receive it, it will not be paid. But if the claimant is eligible or entitled to receive it, a Government agent should not have the right in his discretion to suspend payment of the subsidy because he thinks some violation has occurred or because he thinks there is a claim which would offset it. Such a claim should be established first.

Mr. MURDOCK. Who is to determine the eligibility of the applicant?

Mr. MURRAY. The Government could bring suit against the applicant and have it determined in court. If the applicant should deny that he had violated any regulation, or deny that the Government had any offset against him, he should have his day in court, and the Government should establish the claim against him without first putting him out of business.

Mr. MURDOCK. If the Senator will examine his amendment he will see that it includes the words "to any currently eligible person, firm, or corporation."

Mr. MURRAY. The Senator is correct.

Mr. MURDOCK. Under the Senator's amendment, who will determine the eligibility of the applicant?

Mr. MURRAY. The Government will determine it, but it may not deny that he is eligible merely because it contends that he has violated some regulation. If he is eligible, it will be a simple matter to determine.

Mr. MURDOCK. Suppose a black-market operation were involved in the denial of a subsidy. Some of the witnesses before the committee pointed out that there had been applicants for subsidies who were engaged at the time in black-market operations, and that the agencies dispensing the subsidies took the position that black-market opera-

tors were not eligible to receive subsidies. If I correctly understand the amendment offered by the Senator from Montana, if it becomes law, the Government could not deny the right of a subsidy to a black-market operator until it had first taken him into court and he had been adjudged as having violated the law or rules and regulations promulgated under the law.

Mr. MURRAY. The language would apply only in cases in which the applicant was admittedly eligible. If he were operating in a black market, the Government would have the right to bring suit against him, prove his black-market operations, and enjoin him from receiving a subsidy.

Mr. MURDOCK. Does the Senator take the position that before any penalty by way of denial of subsidies could be imposed against the black-market operator by the administrative agency, the operator would first have to be taken into court, tried, and found guilty?

Mr. MURRAY. It seems to me that that would be the proper procedure. A suit could be brought, and through an injunction proceeding the court could stop payment. But the Government could not exercise the arbitrary power of determining that the applicant for a subsidy had violated some regulation, and deny the payment of the subsidy which would otherwise be granted under the law.

Mr. MURDOCK. The person to whom the subsidy had been denied would have the right to go into court and sue for the subsidy, but if we turn the situation around and provide that subsidies shall be paid immediately to any and all applicants, regardless of the type of operation in which they happen to be engaged, we will destroy one of the most efficient means of curtailing black markets now existing throughout the country.

Mr. MILLIKIN. Mr. President, will the Senator yield?

Mr. MURRAY. I yield.

Mr. MILLIKIN. Will the distinguished Senator from Montana give us one or two examples of what he has in mind?

Mr. MURRAY. I cannot do so off-hand at the moment; but my committee has received letters from several concerns. If I had access to my files I could call attention to some of them.

Mr. MAGNUSON. Mr. President, I can give the Senator an example. Packing company A let us say, has been found by the O. P. A. to be violating O. P. A. regulations. Charges are brought against it and it is taken into court. Under ordinary circumstances the company would be eligible to receive a subsidy, but criminal charges have been made against it and it is brought into court. It is ineligible to receive subsidies until its case has been determined. If it is found guilty the O. P. A. will have a right to put the company out of business. I am sure the Senator from Montana is not trying to defend O. P. A. violators or black-market operators, but merely would allow such persons to have their day in court. Merely because an administrative agency says that a person is guilty is no reason for making him ineligible to receive subsidies.

Mr. TYDINGS. My understanding is that if a person violates the O. P. A. rules the Government can proceed practically instantly against him by way of injunction proceedings and put an end to his unlawful operations. Thereafter, the case is at issue as to whether the injunction shall lie. However, the Senator is not dealing with such a case. He is dealing with a situation wherein the Government is not willing to go into court and file an injunction but pursues other means without first proving that it has a case which justifies the defendant being penalized.

I think the Senator would be wise if he were to modify his amendment by adding to it the words "except in cases which are in litigation", or similar phraseology. In other words, if the Government feels that the case is strong enough to warrant application for an injunction, it should not be compelled to pay a subsidy pending a decision on the application for injunction. If, on the other hand, the case is not strong enough to warrant an injunction being granted, the citizen, firm, or partnership should be allowed to obtain a subsidy until sufficient facts have been developed to make out a prima facie case to be submitted to the proper tribunal.

Mr. MURRAY. I thank the Senator for his suggestion, and I will modify my amendment by adding the words "except in cases pending in court."

Mr. MURDOCK. Mr. President, will the Senator now state the form of his amendment?

Mr. MURRAY. I have modified my amendment by including at the end of it the words "except in cases pending in court."

Mr. MURDOCK. I ask that the amendment as modified be stated so that we will understand what it is.

The LEGISLATIVE CLERK. At the end of the bill it is proposed to add the following new paragraph:

No Government officer or agent shall have discretion or authority to deny or withhold payment of sums relating to the production or sale of agricultural or other commodities (including livestock and meat) to any currently eligible person, firm, or corporation through Executive set-off for any disputed claim, or as a penalty not specified by statute, or otherwise, except in cases pending in court.

Mr. MURDOCK. I merely wish to call the Senator's attention to the fact that the amendment was not presented either to the subcommittee or to the Banking and Currency Committee.

It is disagreeable for me to have to take a position in opposition to the distinguished Senator from Montana, but it seems to me that it would be wholly unwise at this time to insert this type of amendment in the bill we are considering, without any evidence on it whatever. It is easy to say that an amendment of this kind does no harm, that it is a very simple little thing, but it is these simple little amendments which do no harm, that really do the harm.

With reference to the meat subsidy, for instance, the provisions of the meat subsidy are that if a packer, over a month's time, on the average, buys at prices in excess of the ceiling or below the floor, whatever the difference is, that part of his subsidy is denied him. Sup-

pose that question is presented to the agency which pays the subsidy. As I understand the amendment of the Senator from Montana, it could not deny the man the subsidy because he had violated the rules and regulations, but the Government would be required to file suit against him.

Let us apply the amendment to a fly-by-night operator who gets into the business of packing, brings himself within the regulations of the O. P. A., and claims that he is eligible for the subsidy, and goes on for a few months and receives it. Then, when they ascertain that he has violated the regulations, they cut him off because of that. If they can do that, in my opinion it would be very effective, and it is very effective in stamping out the black market operators. But if a man is engaged in black-market operations and the Government of the United States has to go into court before a subsidy can be denied the man, it would take weeks, or perhaps months, before they could get him into court, and during the interim he would be receiving the subsidy, and probably go out of business before the court could take action.

Mr. TYDINGS. Will the Senator yield?

Mr. MURDOCK. I yield.

Mr. TYDINGS. I think the Senator is mistaken in his last statement, because the addition to the amendment of the Senator from Montana provides that once a case is in court, before it is determined, the Government can withhold the subsidy, but the Senator said prior to that—taking the case of a man who violates either the ceiling or the floor price—the O. P. A. and the head of the agency paying the subsidy would have no right to deny him the subsidy. What proof is there that he has violated the O. P. A. regulations, in the Senator's supposed case?

Mr. MURDOCK. The proof is that each month the applicant sends in a report to O. P. A. or the other agency paying the subsidy. The Senator must remember that we are not only dealing with meat, we are dealing with the entire subsidy program and all producers of commodities coming under it.

Mr. TYDINGS. Certainly.

Mr. MURDOCK. We are dealing with flour and meat and everything else. If we are to impose on the administrative agency the obligation to continue to pay subsidies until they go into court on every infraction or every violation, I say to the Senator that the whole program will come down of its own weight.

Mr. TYDINGS. Will the Senator yield?

Mr. MURDOCK. Not just now. On the other hand, if there are those who are eligible for the subsidy, who are engaged in legitimate operations, and the subsidy has been wrongfully denied to them by the administrative agency, what an easy matter it is for such persons to go into court.

Mr. TYDINGS. I do not think it is easy at all.

Mr. MURDOCK. I do not yield to the Senator just now. But there will be very few of those cases, whereas, on the other hand, if this thing is turned around and approached from the other angle, it is

my opinion that we will do more to break down the program than anything we could do.

As I have said, I do not like to disagree with the Senator from Montana, but it seems to me we are dealing with too important a question here to adopt such an amendment hurriedly.

I suggest to the Senator that he introduce the amendment in the form of a bill, and let it be referred to the Committee on Banking and Currency, if that is the proper committee, and then, after at least some study of the question, we could determine whether it should be enacted or not.

Mr. TYDINGS. Will the Senator yield?

Mr. MURDOCK. I yield.

Mr. TYDINGS. I know the Senator does not desire to advocate that a man should be penalized or punished before he is found to be guilty.

Mr. MURDOCK. Oh, no; I would be the last person to advocate that.

Mr. TYDINGS. But does not what the Senator advocates head up to just that conclusion?

Mr. MURDOCK. I think not.

Mr. TYDINGS. Namely, that without any trial at all of the issues involved, some governmental bureaucrat or official could say, "I do not think that fellow has been conforming with the regulations; therefore I am not going to give him his subsidy." The man says, "But what is the charge against me? What have I done?" The reply is, "Well, there have been a lot of things that do not look right, and you are not going to get your money." The man may be completely innocent; all his competitors in the meantime are getting subsidies, and he has his property taken away from him without due process of law.

I think the sounder course, the one which does not conflict, I am sure, with what the Senator desires to accomplish, is that whenever the Government feels it has sufficient evidence to deny a man a subsidy, then the course of the Government should be to apply for an injunction against the man, and while the merits of that injunction are pending, the man obviously should not receive a subsidy until he clears himself, but up until the time the Government is ready to put its suspicions to the test of trial, no man should be at the mercy of a Washington official.

Mr. MURDOCK. That is all fine logic, but we are not confronted, in the enforcement of price control, with a lot of theories, we are confronted with a practical situation, and every witness who appeared before the Committee on Banking and Currency said, "We are so restricted on personnel, and it is so difficult today to get efficient personnel, that it is almost impossible to carry the burdens which are now imposed on the agency."

I agree with the Senator that in ordinary times, of course, what he advocates is the proper course; but I say that when we are in a war, and when personnel is so limited as it is today, instead of throwing the cloak of protection around the black-market operator, we should do just the opposite. I am sure, Mr. President, that the agencies which are paying these subsidies, knowing the efficacy of

the subsidy, are carrying out the war program, and in holding down inflation are just as anxious as they can be to pay the subsidies to those who are legitimately entitled to them as any Senator here. All they are asking of us is not to burden them with a multiplicity of lawsuits which may break down the program.

Mr. President, I hope the amendment will be voted down, that the Senator will submit his amendment as a separate bill, have it referred to the Committee on Banking and Currency, and handled in the regular method, instead of bringing it in at this time, without an opportunity for consideration, and asking us to pass it as a part of the pending bill.

Mr. TYDINGS. Does the Senator yield the floor?

Mr. MURDOCK. I yield.

Mr. TYDINGS. Mr. President—

The PRESIDING OFFICER. The Senator from Maryland.

Mr. TYDINGS. I should like to call the attention of the Senator from Utah to two provisions of the Constitution which evidently during the war seemed to be unnecessarily set aside if any of it can be set aside:

In all criminal prosecutions—

And this is a criminal prosecution—the accused shall enjoy the right to a speedy and a public trial, by an impartial jury of the State and district wherein the crime shall have been committed, which district shall have been previously ascertained by law, and to be informed of the nature and cause of the accusation; to be confronted with the witnesses against him; to have compulsory process for obtaining witnesses in his favor, and to have the assistance of counsel for his defense.

That is one provision.

Mr. HATCH. Will the Senator yield to me?

Mr. TYDINGS. I yield.

Mr. MURDOCK. I have the floor, Mr. President.

Mr. TYDINGS. The Senator yielded the floor. I have the floor.

Mr. MURDOCK. I have the floor.

Mr. TYDINGS. I thought the Senator had concluded. The Senator said he had concluded, and I addressed the Chair and obtained recognition. But I shall be glad to yield to the Senator.

Mr. MURDOCK. I understood that I had the floor.

The PRESIDING OFFICER. The Senator from Utah yielded the floor and the Senator from Maryland was recognized.

Mr. MURDOCK. I did not so understand.

Mr. TYDINGS. I am glad to defer, if the Senator wishes.

Mr. MURDOCK. I do not think the Senator is deferring; I am deferring, and I am always glad to defer.

It seems to me the argument made was far-fetched. There is no criminal prosecution involved in the denying of a subsidy.

Mr. HATCH. Will the Senator yield?

Mr. MURDOCK. I yield.

Mr. HATCH. I was going to ask the Senator from Maryland how the withholding of a subsidy could be a criminal prosecution.

Mr. MURDOCK. I think the Senator from Mexico has placed his finger right

on the crux of the matter. I think the Senator from Maryland himself does not gain a great deal of comfort from the provision of the Constitution which he read.

I do not think there is any more I can add to the discussion, Mr. President. It seems to me the Senate should not adopt the amendment, and I ask that it be rejected.

Mr. President, I ask that following my remarks there be included in the RECORD a statement which has been prepared with reference to certain metals.

The PRESIDING OFFICER. Without objection, it is so ordered.

The statement is as follows:

PREMIUM PRICE PLAN FOR COPPER, LEAD, AND ZINC

(A) HISTORY

On January 12, 1942, the Federal Loan Administrator announced that at the request of O. P. M. and O. P. A. Metals Reserve Company would stimulate the production of domestic copper, lead, and zinc through paying a higher price for these metals for production in excess of 1941 output, terms of the plan to be announced later. As made effective February 1, 1942, for a period of not to exceed 30 months from that date, the premium price plan for copper, lead, and zinc—the name by which the program is known—provided for the payment by M. R. C. of a premium on all domestic production of those metals in excess of monthly quotas established by W. P. B. and O. P. A. and approved by M. R. C. which would reflect the difference between the respective ceiling prices for the materials involved and the equivalent of 17 cents per pound Connecticut Valley for copper, 9 cents per pound New York for lead and 11 cents per pound East St. Louis for zinc, subject to prior termination in event of the end of the national emergency prior to July 31, 1944, upon terms specified in M. R. C.'s public announcement of March 7, 1942. On the basis of existing ceiling prices, which have not changed during the life of the plan, the basic or A premium are 5 cents per pound on copper, and 2½ cents per pound on lead and zinc, respectively.

On January 9, 1943, pursuant to joint W. P. B.-O. P. A. recommendation, the effective period of the plan was extended for an additional year or until July 31, 1945, to aid in insuring the maintenance of maximum necessary production of premium metals for use in the war effort. All other terms remained unchanged.

In February 1943 the plan was broadened to cope with changing economic conditions in the lead and zinc industry so as to afford an additional premium for lead (called a "B" premium) and additional premiums for zinc (B and C premiums), upon joint recommendation of W. P. B. and O. P. A. Under such arrangement the maximum premium paya-

ble on lead was 5½ cents per pound and the maximum premium payable on zinc was 8¼ cents per pound. Such additional premiums (over the basic A premiums) were payable on quotas which were made available only in those special cases where the basic A premiums would not provide adequate revenue to obtain the maximum necessary production.

In April 1943 O. P. A. and W. P. B. advised that to insure maximum necessary production of copper it would be necessary, due principally to increased labor costs, to arrange in a number of special cases for the payment of premiums for copper higher than those then available. Arrangements for payment thereof were promptly approved, the additional premium (over the basic A premium of 5 cents per pound) to be specified in each case granted a special copper quota.

All additional premiums were made subject to cancellation upon prior notice.

The following chart lists the various quotas and premiums available under the plan:

	Zinc, East St. Louis	Lead, New York	Copper, Connecticut Valley
A quotas, deduct ceiling price from.....	Cents 11	Cents 9½	Cents 17
B quotas, deduct ceiling price plus A premium from.....	13¾	12	-----
C quotas, deduct ceiling price plus A and B premiums from.....	10½	-----	-----
Special copper quotas, to be specified for each mine.			

At existing ceiling prices of 8¼ cents per pound East St. Louis for zinc, 6½ cents per pound New York for lead, and 12 cents per pound Connecticut Valley for copper, premium rates are as follows:

	Zinc	Lead	Copper
On production in excess of A quotas.....	Cents 2¾	Cents 2¾	Cents 5
On production in excess of B quotas.....	2¾	2¾	-----
On production in excess of C quotas.....	2¾	-----	-----
On production in excess of special copper quotas.....	As specified		

(B) EXPLANATION

The fundamental purpose of the plan was to stimulate domestic production of the premium metals. Production from marginal properties was encouraged and operators were compensated by the premiums for the extra costs involved in bringing out the additional metal output. To compensate for increased costs, wage increases, and the necessity for mining lower grades of ore, additional premiums were provided so as to insure the maintenance of the requisite production. From the viewpoint of price control, the plan

has avoided the necessity for general price increases for the commodities with a consequent over-all savings to the Government, which, being the purchaser in one form or another of a large part of the production of the metals under war conditions, would have had to absorb such price increases.

A brief statement of the mechanics of the plan follows:

All quotas are assigned by the quota committee, composed of W. P. B. and O. P. A. representatives, based on an analysis of sworn data submitted by the producer. Such quotas are subject to approval by reviewing officers of W. P. B., O. P. A., and M. R. C., and upon approval make the producer eligible for the premiums specified therein upon his compliance with M. R. C. requirements. Monthly payments are effected through the processing plants receiving the materials (which purchase the products for their own account), such plants acting as agents for M. R. C., on the basis of sworn affidavits by the producers. To facilitate receipt of funds by producers a procedure exists whereunder preliminary payments are made by the agents following delivery of the material. Final payments are effected after check of full data by the M. R. C. Washington office, except in the tri-State district (Missouri, Kansas, and Oklahoma) where, due to special conditions affecting that area only, payments are made through the Federal Reserve Bank of Kansas City. A financial statement is attached giving a break-down of premium payments made through the month of February 1945, and showing the amount of metals produced during the period February 1, 1942, through February 28, 1945, on which the premiums were paid.

The Emergency Price Control Act of 1942, as amended, authorizes this subsidy program, and the determinations required by section 2 (e) thereof have been duly made by the Federal Loan Administrator (Secretary of Commerce) and approved by the President.

(C) ESTIMATE FOR FISCAL YEAR ENDING JUNE 30, 1946

In the event that the Congress passes the requisite enabling legislation, it is proposed to extend the premium price plan, with certain modifications, through June 30, 1946. Full details as to the exact terms of the extension have not as yet been crystallized by W. P. B., O. P. A., and M. R. C., but agreement thereon is anticipated shortly. Estimated costs of this extension are:

Copper premiums.....	\$33,000,000
Lead premiums.....	15,000,000
Zinc premiums.....	40,000,000

Total premiums..... 88,000,000

The proposed extension is predicated upon the continuing heavy requirements for the metals, copper, and lead being in a particularly tight position, and the need for maintenance of an adequate quantity of production in the face of high costs of operation and shortage of manpower.

Metals Reserve Company—Monthly premiums paid on excess production of copper, lead, and zinc

Month paid	Copper		Lead		Zinc		Total payments
	Pounds	Amount	Pounds	Amount	Pounds	Amount	
1942 totals.....	101,239,028.20	5,061,951.38	122,193,860.08	3,267,344.22	59,792,826.78	8,839,938.74	17,169,234.34
1943 totals.....	476,117,262.79	25,209,046.59	284,586,292.05	9,426,642.68	766,433,660.80	29,367,540.08	64,003,229.35
1944 totals.....	477,983,949.48	27,089,551.72	411,321,217.88	13,586,994.35	949,702,940.70	40,923,090.00	81,599,636.07
1945							
January.....	27,391,855.00	1,682,520.66	33,718,413.00	1,116,170.44	71,533,261.89	2,836,699.21	5,635,390.31
February.....	39,411,094.00	2,349,143.50	42,786,546.30	1,402,923.66	62,673,168.85	2,590,718.87	6,342,786.43
1945 totals.....	66,802,949.00	4,031,664.56	76,504,959.30	2,519,094.10	134,206,430.74	5,427,418.08	11,978,176.74
Grand totals through Feb. 28, 1945.....	1,122,143,189.47	61,392,214.25	894,606,329.31	28,800,075.35	2,210,135,859.02	84,557,986.90	174,750,276.50

Mr. TYDINGS. Mr. President, I did not say that the withholding of the subsidy was a criminal offense. What I said was—and I am sorry the Senator from Utah is not going to listen to me, apparently—

Mr. MURDOCK. I will listen, Mr. President.

Mr. TYDINGS. What I said was that a man who is charged with violation of the O. P. A. regulations, if proven guilty, has committed a criminal offense. Under the Constitution he is entitled to a trial, and as a matter of law, without a trial he cannot be condemned by someone here in Washington for having violated the O. P. A. regulations. I hope I have made my position plain. This has nothing to do with withholding subsidies. The only reason why a subsidy could be withheld, to use the Senator's own illustration, would be that the dealer has been violating the regulations and the laws of the country, in which event he has committed a criminal offense. If he engages in black-market activities, and is found guilty, he ought to be punished. He ought to be afforded every right that every other citizen has. But the case ought to be submitted to and tried in a court of law, and not passed upon ex parte by someone in Washington who has the power of life and death over an industry.

The amendment offered by the Senator from Montana attempts to give the individual all the things he should have as a matter of right under our laws and Constitution up to the time the Government takes legal action. From that time on a prima facie case is at least made out.

Mr. HATCH. Mr. President, will the Senator yield?

Mr. TYDINGS. Yes; I yield.

Mr. HATCH. I do not quite follow the Senator's logic in his argument, because if we are going to stand on the Constitution there is more than one constitutional provision, and the mere filing of a charge has never, under Anglo-Saxon law, been any evidence of guilt at all.

Mr. TYDINGS. I agree.

Mr. HATCH. On the contrary, the presumption of innocence is just as strong as the right of trial by jury.

Mr. TYDINGS. I agree.

Mr. HATCH. If the Senator is willing to deny the presumption of innocence on one hand, but wants a trial by a court on the other hand—

Mr. TYDINGS. No; not at all.

Mr. HATCH. I want to know what the Senator's position is.

Mr. TYDINGS. My position is that, as a matter of right, the Government has no right to withhold the subsidy until a man is proven guilty. But a subsidy is not a matter of right under our Constitution. It is a privilege given to a citizen by his Government.

Mr. HATCH. Mr. President, will the Senator yield once more?

Mr. TYDINGS. Yes.

Mr. HATCH. And the withholding of the subsidy is not an action or a prosecution for a criminal offense.

Mr. TYDINGS. I did not say it was. I have never contended that it was, and I stated just a moment ago that the man who was charged with violating the O. P. A. regulations by dealing in the black

market was charged with a criminal offense, but that a bureaucrat in Washington could not say he was a criminal until it had been ascertained in a court of law that he was such.

Does the Senator from New Mexico take issue with me on that summation of fact?

Mr. HATCH. I still do not follow the Senator.

Mr. TYDINGS. Well, let us suppose that—

Mr. HATCH. Let me finish first.

Mr. TYDINGS. Very well.

Mr. HATCH. The bureaucrat the Senator is talking about could arbitrarily withhold the subsidy.

Mr. TYDINGS. Yes.

Mr. HATCH. If he is that type of man, he could simply arbitrarily file a bill of complaint in a court.

Mr. TYDINGS. The Senator is now talking about something else. I am trying to check him up first on his misinterpretation of a statement which he thinks I made; I wish to do that first before we proceed further. I said if "Gyp the Blood" or "Louie the Blond," or whatever his name may be, is receiving a subsidy, and has been dealing in the black market, before he can be convicted of dealing in the black market his case must be put to the test in the courts.

Mr. HATCH. May I ask the Senator a question?

Mr. TYDINGS. Does the Senator agree or disagree with me on that?

Mr. HATCH. Will the Senator yield?

Mr. TYDINGS. If the Senator will answer my question, I will allow him to ask me one, and my answer will be more direct than obviously his answer to me is going to be.

Mr. HATCH. No; I will answer the Senator directly without any hesitation and without any equivocation. Before "Gyp the Blood," or whoever he may be, can be convicted of violating a criminal statute all the constitutional privileges and safeguards should surround him.

Mr. TYDINGS. There we are agreed.

Mr. HATCH. Is there anything under the present law which would cause "Gyp the Blood" to be convicted of a criminal offense without benefit of a trial by jury?

Mr. TYDINGS. The very amendment which is at issue here imposes a penalty upon him without conviction, namely while everyone else in America could receive a subsidy, John Brown, a farmer in Colorado, or Michigan, or Maryland, who is thought to have violated the O. P. A. regulations, cannot receive it, even though he has never been tried.

Mr. HATCH. Mr. President—

Mr. TYDINGS. Wait a moment. If that is not a sentence, to be deprived of the privileges which everyone else in America enjoys, simply on the suspicion of some head man in a bureau in Washington, then I do not know what it is.

Mr. CHANDLER. If we deny the subsidy, does not that take away the presumption of innocence from him?

Mr. TYDINGS. It takes away the presumption of innocence from him. Not only does it take away the presumption of innocence from him, but he is penalized.

Mr. HATCH. Mr. President, will the Senator yield?

Mr. TYDINGS. I yield.

Mr. HATCH. Then, should not the amendment go further and provide that no subsidy shall be denied until a man has been charged, tried, and found guilty by a jury of his peers?

Mr. TYDINGS. I think that is sound law, and I should not object to it. However, a subsidy is not a matter of right per se. It is an encouragement given by a government in time of war to stimulate the production of some particular article or commodity. If there has been abuse of the subsidy, I can see that the Government might rightfully want to use it as a set-off until such time as the Government's suspicions are proved to be founded or unfounded, as a matter of business. If I owed the Senator from New Mexico \$100, and I had a business deal with him by which I thought he owed me \$100, I would refuse to give him my \$100 until he proved that he was going to pay me the \$100 that was owing me.

Mr. HATCH. Mr. President, will the Senator yield?

Mr. TYDINGS. I yield.

Mr. HATCH. I merely want to say that I am not a member of the committee. I have not studied this question or the amendment. I simply became interested in the remarks which were being made about the Constitution.

Mr. TYDINGS. I knew that without the Senator telling me.

Mr. HATCH. That is quite true. But it proves, Mr. President, what the able Senator from Utah [Mr. MURDOCK] has been arguing, that a question of this kind ought to be submitted to the proper committee, considered, and a report made to the Senate by those committee members who are familiar with the subject, who have studied it, and have received testimony of witnesses on it, rather than by an amendment of this kind offered from the floor.

Mr. TYDINGS. There is something to be said for that, but I think this is so A B C in its simplicity that we can decide it here on the floor.

Mr. MURDOCK. Mr. President, will the Senator from Maryland, after the great speech he made a week or ten days ago on the subject of manpower, tell the agencies involved where they can obtain the additional manpower to deal with the difficulties they would have imposed upon them by the adoption of this amendment? And then also will he agree, as a member of the Appropriations Committee, when the agencies come in and ask for the additional funds necessary to carry out efficiency the burdens which the Senator is willing now to impose on them, to vote for additional funds?

Mr. TYDINGS. That question, Mr. President, is so involved my answer is "Yes" and "No."

Mr. BARKLEY. Mr. President, will the Senator yield to me for a question?

Mr. TYDINGS. Yes.

Mr. BARKLEY. Black market practices are not isolated cases where some one simply sells something above the ceiling price or buys something below the ceiling price; they are day-by-day practices which are indulged in by men who

deliberately seek to violate the law and break down the barriers which we are seeking to preserve.

Mr. TYDINGS. That is correct.

Mr. BARKLEY. When a man is charged in an indictment with an offense, specific instances must be cited in the indictment. The indictment must set forth the time, place, and all that. Would the Senator advocate the principle that anyone engaged in black market practices from day to day, and against whom an indictment is brought in the Federal court for violating the rules and regulations in some particular case, should nevertheless be permitted to draw his subsidy? He might not be tried for 3 or 4 months, or 6 months. Notwithstanding the indictment, and notwithstanding the fact that he could not be convicted or acquitted for 5 or 6 months, does the Senator believe that he still ought to be permitted to draw his subsidy?

Mr. TYDINGS. The Senator did not hear me. I offered an amendment to take care of that situation, by suggesting to the Senator from Montana that if the matter were in court, the subsidy could be withheld; but in all cases which were not in court, subsidies should not be withheld. Unless the Government felt that it had a strong enough case to submit to a trial in court, in my judgment no one should have the right to tell a citizen, because of mere suspicion, that he could not get the subsidy.

Mr. BARKLEY. The Senator knows that—

Mr. TYDINGS. I have answered the Senator by saying that in the particular case he mentions, I agree with him. What is the next question?

Mr. BARKLEY. Not only in matters involving O. P. A. regulations, but in all matters of violations of law, there are probably ten violations for every indictment brought to trial in court.

Mr. TYDINGS. I should say 100.

Mr. BARKLEY. Perhaps there are as many as 100. So in dealing with a matter such as this, when a man deliberately breaks down the barriers which we have undertaken to erect, it presents to my mind a serious question as to whether the power of the Government to deal with the violation should depend upon whether the man is actually indicted and taken into court.

Mr. TYDINGS. An injunction could be obtained against him.

Mr. BARKLEY. We talk a great deal about bureaucrats. It is a popular indoor sport to talk about bureaucrats; but these things are not handled in Washington. They are handled by whatever force the Government has in the field. All the investigations are made in the field by such force as the Government has, and it is inadequate.

Mr. TYDINGS. When someone writes to a Senator, it then becomes a Washington matter.

Mr. BARKLEY. People do not write to Senators until they get into trouble. It is not the enforcement officer who writes to a Senator. It is the man against whom the enforcement officer is proceeding. My observation is that

there is very little we can do in Washington, and perhaps very little we ought to do, in order to help a man avoid observance of these regulations.

Mr. TYDINGS. My position is not opposed to the premise laid down by the Senator from Kentucky. My position is that if the Government has commenced a proceeding in a court of law against a citizen, partnership, or corporation, from that time on the Government is within its rights in withholding the privilege of a subsidy. But up until the time the Government is willing to put its findings to the test of a verdict in court, it seems to me it is not within the power of anyone in the Government to show discrimination among citizens on mere suspicion.

Perhaps the power would not be abused, even without the amendment of the Senator from Montana. However, in my contact with the Government during the war I have encountered two or three cases in which the guilt or innocence of the accused was a matter of speculation. During a certain period the subsidies were withheld. I did not follow those cases through to find out whether the persons accused were ultimately found guilty or innocent; but, assuming that they were ultimately found innocent, it would have been wrong to have withheld the subsidies prior to the time when the Government commenced legal action.

I do not care particularly about the amendment, except that the wisdom and fairness of it, as modified, appealed to me. I rose because I did not think the Senator from Utah had made out any kind of a case against the merit of the argument. If we must send a simple amendment like this to a committee, it does not speak very highly for the present membership of the Senate, particularly those who are present, because it is too simple a matter to spend more than a year deciding.

Mr. BARKLEY. Mr. President, the Committee on Banking and Currency is now holding hearings every day on the extension of the O. P. A. law. I do not know whether the committee will limit itself to a mere extension of the law, or whether the original law may be amended. However, the committee is now meeting daily and holding extensive hearings on the extension of the law for a year and a half. It would not involve much delay to go before that committee and present the matter.

Mr. TYDINGS. Mr. President, let me say to the Senator that this is a limitation on an appropriation, and the very place to put it is in this bill, where it belongs. This has nothing to do with the fundamental concept of the O. P. A. law, as I understand it.

Mr. BARKLEY. This is not altogether an appropriation bill.

Mr. TYDINGS. It is an authorization bill.

Mr. MURDOCK. Mr. President, I wish to make an observation with reference to the statement which the distinguished Senator from Maryland made about my argument. If he was hopeful that I would attempt to answer the constitu-

tional argument, all I can say is that in my opinion it is so inapplicable to anything with which this amendment has to do that I do not think it is worthy of an argument.

Mr. McMAHON. Mr. President, without expressing any opinion on the amendment, I should like to ask the Senator from Maryland if he believes that any bureaucrat who might reach an arbitrary and capricious determination would hesitate to write out a complaint and file it in court. If he should do so, as I understand the Senator's amendment to the amendment, the subsidies could be immediately stopped. So I do not believe that very much protection would be thrown around a citizen who might be innocent, by imposing a mechanical duty upon the O. P. A. bureaucrat, as the Senator chooses to call him.

Mr. TYDINGS. I think it would be a great restraining influence. I believe that many officials might withhold the subsidy if they did not have to put the charges in writing and bring the matter into court; whereas if they had to go through the formal procedure of filing a complaint in court, it would act as a tremendous deterrent.

I am glad the Senator from Connecticut raised the point, because it proves more clearly than anything I said that what we want is a deterrent against abuses, rather than the exercise of any particular function of the O. P. A. regulating authorities. The amendment would act as a deterrent.

Mr. McMAHON. Mr. President, I must disagree with the Senator, because my experience with the enforcement division of the O. P. A. leads me to believe that some of the officials who might reach the determination that a violation had been committed would not hesitate to swear to a complaint and file it in court.

Mr. TYDINGS. I still believe that it would act as a deterrent.

Mr. McMAHON. Not to any great extent.

Mr. MAGNUSON. Mr. President, I agree with the Senator from Maryland. I would go even further. I agree also with the Senator from Utah, that we must have some enforcement of the law. I appreciate that 999 persons out of 1,000 who have been actually charged in court are probably black-market operators, and have violated the O. P. A. regulations. I know of a case in which a man was found innocent, but in the meantime his business was wiped out. I do not know what can be done about that. Perhaps I should introduce a private claim bill. There is not much we can do.

Mr. TYDINGS. I should advise the Senator against that course, because at least 25 years would be required to get it through both Houses of Congress. By that time his constituent would be not only broke, but dead.

Mr. MAGNUSON. At least we can go far enough on this subject to say to the O. P. A. that we condemn the abuse of such power. The shortage of manpower is what creates the abuse. The cases cannot be examined as well as they should

be examined. A man representing the O. P. A. in the field may say to his fellow bureaucrat who is paying the subsidy, "I think you had better go easy with company A. They have violated the O. P. A. rules. We are checking upon them. We are making an investigation." It seems to me that we should say something which would deter those officials from holding their own star-chamber proceedings. If there is an actual violation and they have a case, they can go into court. In most cases the violator will probably be taken to court.

This sort of thing is happening all over the country, particularly out in the field. Sometimes personalities are involved. The officers of company B, who do not like company A, may know someone in the O. P. A. They may say, "We think our competitor is violating the O. P. A. regulations." An investigation may be started, and in the meantime company B will find its subsidies withheld, and then it will be out of business.

Of course, what the Senator from Maryland has said is correct. No one is saying that one who violates the law should not be prosecuted, but in many cases the effect of accusing him of crime is to force him out of business.

Mr. MURDOCK. Mr. President, will the Senator yield?

Mr. MAGNUSON. I yield.

Mr. MURDOCK. Probably in many cases no crime at all is involved. All that would happen would be that payment of the subsidy would be suspended until a thorough investigation was made and until there was a determination as to whether a violation of the rule or regulation had occurred. The violation might not involve a crime.

I think the important point to consider is that in the hearings before the Committee on Banking and Currency we had testimony not only by men whom some Senators like to call bureaucrats—

Mr. MAGNUSON. We might call them administrators.

Mr. MURDOCK. Yes. But I call attention to the fact that after Chester Bowles and other men of his caliber—men who, in my opinion, are serving our country today at a sacrifice—come before the committee and say there is not enough manpower in the country to do the present job, and after the committee also hears from volunteer workers who present the picture of hundreds of persons in Washington and thousands of persons throughout the United States who are volunteering their help in order to hold the line on price control, when Senators thereafter rise in the Senate Chamber and glibly state that the matter is a very simple one and that we are denying some constitutional right to a man because we allow a subsidy to be withheld, in my opinion they are greatly adding to the burdens of the O. P. A. Increased burdens on the O. P. A. involving additional manpower and additional appropriations simply should not be imposed.

Mr. MAGNUSON. Of course, Mr. President, I entirely agree with the Senator from Utah. No one is questioning the integrity of Mr. Bowles or of 99.44 percent of the members of his

organization. I am merely endeavoring to protect a man, whether it be "Gyp the Blood" or someone else, from having the O. P. A. be the judge, the jury, and the prosecutor in the case.

Mr. TYDINGS. Mr. President, will the Senator yield?

Mr. MAGNUSON. I yield.

Mr. TYDINGS. The word "bureaucrat" is a mark of opprobrium only in the minds of the guilty. "Bureaucrat" is a perfectly inoffensive word which is to be found in Webster's Dictionary. Some may consider it as being synonymous with "democrat," and in the best society even the appellation "democrat" is occasionally regarded as a slur. Mr. President, a bureaucrat is simply one who works from a bureau.

Of course, we have gone rather far afield in this discussion. I can sympathize with the sponsors of the amendment, in view of the fact that the opposition to it is so far devoid of any logical argument that its opponents have fallen back on the procedure of name-calling, for lack of any other resource. [Laughter.]

Mr. MAGNUSON. Mr. President, I assume we are all trying to do the same thing. But some of us wish to have the O. P. A. proceed somewhat carefully before it suspends the payment of subsidies prior to a determination of whether a man has violated the law. After all, we have to maintain some semblance of observance of the rights guaranteed by the Constitution, without regard to who the individuals concerned may be.

Mr. CHANDLER. Mr. President, will the Senator yield?

Mr. MAGNUSON. I yield.

Mr. CHANDLER. If one of the distinguished administrators of a Government agency—

Mr. TYDINGS. That is right; we should call them administrators.

Mr. CHANDLER. If one who heads a bureau were to tell a committee that there is not sufficient manpower in the country to take care of his duties, and if I were a member of the committee, of course I would not believe him.

On the other hand, situations which actually have occurred have been pointed out today, and that is why I am in favor of adoption of the amendment. A presumption of innocence goes with a man until he has been proved guilty of having violated the law. In many instances—not merely a few—subsidies have been arbitrarily withheld, because of suspicion of violation of regulations, from persons who otherwise would have been entitled to receive them.

I agree with the Senator from Maryland that a man is not paid a subsidy because it is a privilege granted to him by his Government under certain conditions. The authority to withhold its payment is not lodged in the head of any Government bureau.

Mr. TYDINGS. The law does not provide, in effect, "Pay this as you see fit."

Mr. CHANDLER. No. He does not have any right arbitrarily to determine whether it shall be paid. As the Senator from Maryland has said, if he withholds it on his own whim or caprice, and if later the man is found not guilty, it is

too late to resume payment of the subsidy because in the meantime the man has been completely broken; he has lost his money or his business.

As I see it the amendment is a rather simple one. It would simply ask an administrator to be cautious and to take time. No harm can be done by taking time because I understand that the courts are kept open in order to try to take time in considering charges before persons are convicted. The courthouses have many empty witness rooms—

Mr. TYDINGS. And plenty of empty seats.

Mr. CHANDLER. Yes; they have numerous empty witness rooms and empty chairs due to the present disposition of manpower, not the shortage; there is no shortage of manpower.

I think we should at least adopt this simple amendment. I do not think any harm can result from its adoption.

Mr. MURRAY. Mr. President, in presenting the amendment I had no idea that such a controversy would be precipitated. It seems to me that the amendment is a simple one. It has received more consideration today in the Senate than it would have received if it had been presented to a committee.

I think the purpose is plain and clear. The amendment is simply for the purpose of preventing arbitrary action by an administrator or his subordinates in denying to a citizen payment of a subsidy, to which he is otherwise entitled, because the Administrator may believe that such person may have violated some regulation. If the Administrator believes that the person is operating in the black market—as has been mentioned by several Senators this afternoon—all the Administrator would have to do would be to file a charge against him. That would result in having payment of the subsidy immediately suspended.

It seems to me the amendment is a very simple one, and it should be adopted.

Mr. McFARLAND. Mr. President, I think the discussion has clearly shown that there is a difference of opinion regarding the effect of the amendment, regardless of the views expressed by the distinguished senior Senator from Maryland [Mr. TYDINGS], and the distinguished junior Senator from Montana [Mr. MURRAY].

For that reason, I move that the amendment be referred to the Committee on Banking and Currency, for its consideration. That will enable the amendment to receive the consideration it merits, and to be reported in connection with other legislation.

The PRESIDING OFFICER. The Chair does not understand that such a motion is in order.

Mr. CHANDLER. I make the point of order against the motion that it is not in order.

The PRESIDING OFFICER. The point of order is sustained.

The question is on the adoption of the amendment of the Senator from Montana, as modified, to the committee amendment.

Mr. MILLIKIN. Mr. President, I like the intent of the amendment, but I should like to have a survey made and

testimony taken regarding the extent to which, and the circumstances under which, such subsidies and benefits are withheld. On the basis of such a study I think we could draft an amendment which would maintain proper control over such practices, or which possibly would eliminate them altogether, if that should be indicated.

Therefore I hope the amendment will be rejected.

Mr. WHERRY. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. WHERRY. Was the point of order sustained?

The PRESIDING OFFICER. It was.

The question is on the adoption of the amendment of the Senator from Montana, as modified, to the committee amendment.

Mr. CHANDLER. I shall ask for a division, but pending that I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Aiken	Green	O'Daniel
Austin	Gurney	O'Mahoney
Bailey	Hart	Overton
Ball	Hatch	Pepper
Bankhead	Hawkes	Radcliffe
Barkley	Hayden	Reed
Bilbo	Hickenlooper	Robertson
Brewster	Hill	Russell
Bridges	Hoey	Saltonstall
Briggs	Johnson, Calif.	Shipstead
Buck	Johnson, Colo.	Smith
Burton	Johnston, S. C.	Stewart
Bushfield	La Follette	Taft
Butler	Langer	Taylor
Byrd	Lucas	Thomas, Okla.
Capehart	McCarran	Thomas, Utah
Capper	McClellan	Tobey
Chandler	McFarland	Tunnell
Chavez	McKellar	Tydings
Connally	McMahon	Vandenberg
Cordon	Magnuson	Wagner
Donnell	Maybank	Walsh
Downey	Millikin	Wheeler
Eastland	Mitchell	Wherry
Ellender	Moore	White
Ferguson	Morse	Wiley
Fulbright	Murdock	Willis
George	Murray	Wilson
Gerry	Myers	

The PRESIDING OFFICER. Eighty-six Senators having answered to their names, a quorum is present.

The question is on agreeing to be modified amendment offered by the Senator from Montana [Mr. MURRAY] to the amendment of the committee.

Mr. McCARRAN. May we have the amendment stated?

The PRESIDING OFFICER. The clerk will state the amendment.

The LEGISLATIVE CLERK. At the end of the committee amendment it is proposed to insert the following new paragraph:

No Government officer or agent shall have discretion or authority to deny or withhold payment of sums relating to the production or sale of agricultural or other commodities (including livestock and meat) to any currently eligible person, firm, or corporation

through executive set-off for any disputed claim, or as a penalty not specified by statute, or otherwise, except in cases pending in court.

The PRESIDING OFFICER. The question is on agreeing to the modified amendment to the amendment, and a division has been requested.

On a division, the amendment to the amendment was rejected.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the committee as amended.

The amendment as amended was agreed to.

The bill (S. 502) was ordered to be engrossed for a third reading, read the third time, and passed.

The title was amended so as to read: "A bill to permit the continuation of certain subsidy payments and certain purchase and sale operations by corporations created pursuant to section 5d (3) of the Reconstruction Finance Corporation Act, as amended, and for other purposes."

EXECUTIVE SESSION

Mr. BARKLEY. I move that the Senate proceed to consider executive business.

The motion was agreed to; and the Senate proceeded to consideration of executive business.

EXECUTIVE REPORTS OF A COMMITTEE

Mr. McKELLAR, from the Committee on Post Offices and Post Roads, reported favorably the nominations of several postmasters.

The PRESIDING OFFICER (Mr. JOHNSTON of South Carolina in the chair). If there be no further reports of committees, the clerk will proceed to call the Executive Calendar.

TREATIES

The legislative clerk proceeded to read Executives A and H (78th Cong., 2d sess.).

Mr. BARKLEY. Mr. President, it is obviously too late to proceed to the discussion of the treaty at this hour. I ask unanimous consent that it be temporarily laid aside, without prejudice, in order that the noncontroversial nominations on the calendar may be considered.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and the clerk will state the nominations on the calendar.

RURAL ELECTRIFICATION ADMINISTRATION

The legislative clerk read the nomination of Aubrey W. Williams to be Administrator.

Mr. BARKLEY. It is obvious that that nomination will have to go over.

The PRESIDING OFFICER. The nomination will be passed over.

FOREIGN SERVICE

The legislative clerk proceeded to read sundry nominations in the Foreign Service.

Mr. BARKLEY. I ask unanimous consent that the Foreign Service nominations be confirmed en bloc.

The PRESIDING OFFICER. Without objection, the Foreign Service nominations are confirmed en bloc.

POSTMASTERS

The legislative clerk proceeded to read sundry nominations of postmasters.

Mr. BARKLEY. I ask unanimous consent that the postmaster nominations be confirmed en bloc.

The PRESIDING OFFICER. Without objection, the postmaster nominations are confirmed en bloc. That completes the Executive Calendar.

Mr. BARKLEY. I ask unanimous consent that the President be at once notified of all confirmations of today.

The PRESIDING OFFICER. Without objection, the President will be notified forthwith.

PROGRAM FOR TOMORROW

Mr. BARKLEY. Mr. President, in order that Senators may know what the program is for tomorrow, I intend to move an adjournment today, so that we will have a morning hour tomorrow, and when that shall be concluded, I shall move that the Senate proceed to the consideration of executive business. We have cleaned up the business on the Legislative Calendar, so our legislative program is in good shape. We will proceed at once to consider the executive business.

Mr. McCARRAN. Does that mean that we will proceed with the consideration of the treaty?

Mr. BARKLEY. The treaty is the unfinished business on the Executive Calendar, and is the pending business.

Mr. McCARRAN. I thank the Senator.

ADJOURNMENT

Mr. BARKLEY. As in legislative session, I move that the Senate adjourn.

The motion was agreed to; and (at 4 o'clock and 55 minutes p. m.) the Senate adjourned until tomorrow, Friday, March 16, 1945, at 12 o'clock meridian.

CONFIRMATIONS

Executive nominations confirmed by the Senate March 15 (legislative day of March 12), 1945:

FOREIGN SERVICE

TO BE CONSULS GENERAL OF THE UNITED STATES OF AMERICA

Richard Ford
Robert F. Fernald

TO BE CONSUL OF THE UNITED STATES OF AMERICA

Forrest K. Geerken

POSTMASTERS

MASSACHUSETTS

Eugene Matheson, Ipswich.

MICHIGAN

Gunile Heldmann, Chatham.
Henry Swaffield, Sterling.

OKLAHOMA

Harry N. Patterson, Grandfield.

House of Representatives

THURSDAY, MARCH 15, 1945

The House met at 12 o'clock noon.

The Chaplain, Rev. James Shera Montgomery, D. D., offered the following prayer:

Thou who art the source of all being, whose glory flames from sun to star, lead us to worship Thee in spirit and in truth. We would seek to learn the lessons in the school of life which are set forth in the teaching of Thine Apostle—peace, long-suffering, gentleness, goodness, faith, meekness, and temperance. O bless us with these graces of the spirit, beautiful in the home, helpful in daily toil, and bear no harsh words of envy or strife.

Solemnly, quietly, let Thy words fall through the day and night as they come from the hills of God. O let them echo near and far where opposing forces meet until nations see through the sophistry of wrong and vicious standards. Through the lens of love for God and man, may all master the spirit of brotherly kindness. In the great emergencies which will come to the future course of our country, grant that our land may be a noble anchor, made strong by sacrifice and trial, holding the world amid the breakers of war and hate. In the name of Him who liveth and reigneth forevermore. Amen.

THE JOURNAL

The Journal of the proceedings of yesterday was read and approved.

MESSAGE FROM THE SENATE

A message from the Senate, by Mr. Frazier, its legislative clerk, announced that the Senate insists upon its amendments to the bill (H. R. 1752) entitled "An act to amend the Selective Training and Service Act of 1940, and for other purposes," disagreed to by the House, agrees to the conference asked by the House on the disagreeing votes of the two Houses thereon, and appoints Mr. THOMAS of Utah, Mr. JOHNSON of Colorado, Mr. O'MAHONEY, Mr. AUSTIN, and Mr. BURTON to be the conferees on the part of the Senate.

CALL OF THE HOUSE

Mr. WILSON. Mr. Speaker, I make the point of order that a quorum is not present.

Mr. McCORMACK. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 41]

Anderson, Calif.	Clevenger	Domengeaux
Baldwin, N. Y.	Combs	Doyle
Barrett, Pa.	Curley	Eaton
Bates, Mass.	Daughton, Va.	Ellis
Boren	Dawson	Fuller
Case, N. J.	De Lacy	Gardner
Chapman	Dirksen	Gordon

Granger	Kearney	Sikes
Hagen	LeCompte	Slaughter
Hall,	Luce	Smith, Maine
Edwin Arthur	McKenzie	Taylor
Hébert	McMillan, S. C.	Thom
Heidinger	Madden	Thomas, N. J.
Henry	Mott	Vursell
Hobbs	Patrick	Weaver
Izac	Pfeifer	Weiss
Johnson, Ill.	Rayfiel	West
Johnson,	Robinson, Utah	White
Lyndon B.	Rooney	Wood

The SPEAKER. On this roll call 376 Members have answered to their names, a quorum.

By unanimous consent, further proceedings under the call were dispensed with.

QUESTION OF PERSONAL PRIVILEGE

Mr. WILSON. Mr. Speaker, I rise to a question of personal privilege.

The SPEAKER. The gentleman will state the grounds upon which he desires to be heard on the question of personal privilege.

Mr. WILSON. Mr. Speaker, my claim to the right to address this House on a point of personal privilege is based on the statement of Columnist Drew Pearson this morning in which he called me a "hogger of the handball courts in the House gymnasium." This is a reflection on me in that it asserts that I take unfair and unjust use of privileges and the facilities for the Members of the House of Representatives.

The SPEAKER. The Chair thinks it is a very close point, but the Chair will recognize the gentleman.

Mr. WILSON. Mr. Speaker, first I want to read to you the article to which I refer that appeared in Drew Pearson's column this morning:

Representative "CURFEW EARL" WILSON, Indiana Republican, is best known to the public for having urged a curfew for Government girls and complaining because they take a few minutes out for coffee or a soft drink. To his Congressional colleagues, however, he is best known as a hogger of the handball courts in the House gymnasium. The other day WILSON was delivering a long tirade against the Veterans' Administration. The House was almost empty.

Only Representative JERRY VOORHIS of California sat at the Parliamentarian's desk correcting a speech he had delivered earlier. Suddenly Speaker SAM RAYBURN sent a page boy to VOORHIS and asked him to step over to the Speaker's dais so he could have a word with him.

"JERRY," suggested RAYBURN, "why don't you correct your remarks out in the cloakroom? Then WILSON won't have anyone listening."

VOORHIS looked around and saw the House Chamber completely empty. He walked out to the cloakroom. WILSON ranted on for 5 or 10 minutes, talking to no one. Then Majority Whip ROBERT RAMSPECK, of Georgia, came in to move for adjournment.

Now, there is an old saying, "It is better to be cussed than neglected."

Frankly, I would rather have Drew Pearson cuss me any day than have him neglect me. But, for the sake of keeping the record straight, I have a few comments to make. There is an old saying also, "When a stone is thrown, the dog that yells the loudest is the one that is hit."

Mr. HOFFMAN. Mr. Speaker, will the gentleman yield before he gets into that?

Mr. WILSON. I yield.

Mr. HOFFMAN. Can the gentleman tell us who it is connected with the House or with the House organization who has the privilege of the floor of the House who could report a remark made by the Speaker to Mr. Pearson?

Mr. WILSON. Yes, sir; I can do that, and I will gladly do that for the gentleman.

Mr. HOFFMAN. I hope the gentleman will, because if we have keyhole peepers around here, I think we ought to know.

Mr. WILSON. The man is none other than my fellow Hoosier from Rockport, Ind., who is now Doorkeeper of the House. Does that satisfy the gentleman from Michigan?

Mr. HOFFMAN. It does not satisfy me. But I am glad to have the information. I recall not long ago when the Republicans had a conference, much of the proceedings that took place at the conference were reported by Mr. Drew Pearson. We wondered whether it was some Republican who was at the proceedings or whether it was some House employee who was listening in. I would like to know who is listening in on the conferences and sessions.

Mr. WILSON. Now, I have been hurling a few stones of late, and I have incurred the enmity of a pack of arm-chair, day-dreaming New Deal stooges. One of those stones must have struck a tender spot on one Drew Pearson, a man whom President Roosevelt labeled "a chronic liar."

I quote an article which appeared in the Washington Star on December 1, 1943:

Columnist Drew Pearson published an allegation that Secretary of State Hull and other State Department officials had an anti-Russian attitude and wanted to see the Soviets bled white.

This brought from President Roosevelt the assertion that the writer-radio commentator was a chronic liar in his column and that such journalism hurt the press of the Nation. Secretary of State Cordell Hull called him a man of—and I quote—"monstrous and diabolical falsehoods."

That is taken from the Times-Herald of January 26, 1945.

House of Representatives

FRIDAY, MARCH 16, 1945

The House met at 12 o'clock noon, and was called to order by the Speaker.

The Chaplain, Rev. James Shera Montgomery, D. D., offered the following prayer:

Eternal God, merciful and compassionate, whose glory and might fill the world, bring us into those relations where we can discern the splendor of spiritual life without which the human soul becomes blank and barren. Bless us with that assurance and composure which give power in the midst of threatening passion and temptation.

O Saviour Divine, so fill us with Thy spirit that we may think Thy thoughts, feel something of Thine emotions, and strive to carry out Thy mission in the midst of this suffering world. We think of the lonely and the vicarious devotion on the field of battle; the nurses, the Medical Corps, the Red Cross, and all others who wear no great insignia of rank; to Thee we lift our prayer for them. "Let Thine enemies be scattered; let them also that hate Thee flee before Thee. As smoke is driven away, so drive them away; as wax melteth before the fire, so let the wicked perish in the presence of God, but let the righteous be glad and exult before Thee." In the name of Him who endured the cross and despised the shame for us. Amen.

THE JOURNAL

The Journal of the proceedings of yesterday was read and approved.

MESSAGE FROM THE SENATE

A message from the Senate, by Mr. Frazier, its legislative clerk, announced that the Senate had passed without amendment bills of the House of the following titles:

H. R. 197. An act to establish the grade of general in the Marine Corps, and for other purposes;

H. R. 242. An act for the relief of Ruben M. Herren;

H. R. 249. An act for the relief of Charles R. Hooper;

H. R. 256. An act for the relief of Dr. Luther J. Head;

H. R. 257. An act for the relief of the estate of Dr. David O. Clements, deceased;

H. R. 687. An act for the relief of certain officers and employees of the Foreign Service of the United States who, while in the course of their respective duties, suffered losses of personal property by reason of war conditions;

H. R. 946. An act for the relief of the estates of Robert C. Meals and Mrs. Bessie Mae Morgret, Mrs. Margaret J. Meals, Donald Meals (a minor), and Betty Wrightstone (a minor);

H. R. 987. An act for the relief of the New England Telephone & Telegraph Co.;

H. R. 1149. An act for the relief of Dane D. Morgan;

H. R. 1429. An act to permit the Administrator, War Shipping Administration, and the United States Maritime Commission, during the national emergency, to pay the tax im-

posed under section 1410 of the Internal Revenue Code without regard to the \$3,000 limitation in section 1426 (a) (1) of the Internal Revenue Code;

H. R. 1485. An act for the relief of Henry B. Tucker;

H. R. 1646. An act to establish the grade of admiral in the Coast Guard, and for other purposes; and

H. R. 2506. An act to amend an act regulating the height of buildings in the District of Columbia, approved June 1, 1910, as amended.

The message also announced that the Senate had passed, with amendments in which the concurrence of the House is requested, bills of the House of the following titles:

H. R. 1308. An act for the relief of Sam Swan and Aily Swan; and

H. R. 1360. An act for the relief of F. L. Gause and the legal guardian of Rosalind and Helen Gause, minors.

The message also announced that the Senate had passed bills of the following titles, in which the concurrence of the House is requested:

S. 46. An act to amend the Locomotive Inspection Act of February 17, 1911, as amended, to provide for the appointment of five additional inspectors, and to provide for adjustments in salaries;

S. 58. An act to amend an act entitled "An act authorizing the temporary appointment or advancement of certain personnel of the Navy and Marine Corps, and for other purposes," approved July 24, 1941, as amended, and for other purposes;

S. 70. An act for the relief of Maria Manriquez Ruiz;

S. 71. An act for the relief of the legal guardian of Estella Ruiz;

S. 93. An act for the relief of Mary G. Marggraf;

S. 194. An act for the relief of Mrs. Glenn T. Boylston;

S. 288. An act for the relief of the Lawrence Motor Co., Inc.;

S. 316. An act for the relief of June I. Gradjan;

S. 321. An act for the relief of James M. Hiler;

S. 397. An act to provide for the presentation of medals to members of the United States Antarctic Expedition of 1939-41;

S. 407. An act for the relief of Pierce William Van Doren and Elmer J. Coates;

S. 411. An act for the relief of Mrs. Mae E. Sutton;

S. 426. An act for the relief of Mr. and Mrs. Walter M. Johnson;

S. 467. An act for the relief of Maj. Malcolm K. Beyer;

S. 491. An act for the relief of John H. Gradwell;

S. 502. An act to permit the continuation of certain subsidy payments and certain purchase and sale operations by corporations created pursuant to section 5d (3) of the Reconstruction Finance Corporation Act, as amended, and for other purposes;

S. 514. An act for the relief of the Baldwin Bros. Paving Co.;

S. 515. An act for the relief of Wallace Robertson, Henry Bowker, and Edward Parsian, and for other purposes;

S. 519. An act for the relief of the estate of Charles A. Straka;

S. 525. An act to reimburse certain Navy personnel and former Navy personnel for personal property lost or damaged as the result of a fire at the United States naval training center, Farragut Idaho, on July 10, 1944;

S. 530. An act authorizing the Administrator of Veterans Affairs to grant an easement in certain lands of the Veterans' Administration, Dallas, Tex., to Dallas County, Tex., for highway purposes;

S. 531. An act to authorize the Administrator of Veterans' Affairs to transfer by quitclaim deed to the city of Los Angeles, Calif., for fire-station purposes, the title to certain land located at Veterans' Administration facility, Los Angeles, Calif.;

S. 544. An act for the relief of Dave Hougardy;

S. 569. An act to reimburse certain Marine Corps personnel and former Marine Corps personnel for personal property lost or damaged as the result of a fire in the training building at the Marine Corps air station, Cherry Point, N. C., on June 2, 1944;

S. 591. An act for the relief of Chesley Brazil;

S. 645. An act to suspend until 6 months after the termination of the present wars section 2 of the act of March 3, 1883 (22 Stat. 481), as amended;

S. 646. An act to provide for the advancement of Capt. Edward Macauley, United States Navy, retired, to the rank of rear admiral; and

S. 647. An act to authorize the Secretary of the Navy to convey to the State of Rhode Island, for highway purposes only, a strip of land within the naval advance base depot at North Kingstown, R. I.

The message also announced that the Senate had passed, with amendments in which the concurrence of the House is requested, a bill of the House of the following title:

H. R. 1984. An act making appropriations for the Executive Office and sundry independent executive bureaus, boards, commissions, and offices, for the fiscal year ending June 30, 1946, and for other purposes.

The message also announced that the Senate insists upon its amendments to the foregoing bill, requests a conference with the House on the disagreeing votes of the two Houses thereon, and appoints Mr. GLASS, Mr. McKELLAR, Mr. RUSSELL, Mr. GREEN, Mr. BANKHEAD, Mr. BRIDGES, Mr. WHITE, and Mr. BROOKS to be the conferees on the part of the Senate.

SENATE BILLS REFERRED

Bills of the Senate of the following titles were taken from the Speaker's table and, under the rule, referred as follows:

S. 46. An act to amend the Locomotive Inspection Act of February 17, 1911, as amended, to provide for the appointment of five additional inspectors, and to provide for adjustments in salaries; to the Committee on Interstate and Foreign Commerce.

S. 58. An act to amend an act entitled "An act authorizing the temporary appoint-

ment or advancement of certain personnel of the Navy and Marine Corps, and for other purposes," approved July 24, 1941, as amended, and for other purposes; to the Committee on Naval Affairs.

S. 70. An act for relief of Maria Manriquez Ruiz; to the Committee on Claims.

S. 71. An act for the relief of the legal guardian of Estella Ruiz; to the Committee on Claims.

S. 93. An act for the relief of Mary G. Marggraf; to the Committee on Claims.

S. 194. An act for the relief of Mrs. Glenn T. Boylston; to the Committee on Claims.

S. 238. An act for the relief of the Lawrence Motor Co., Inc.; to the Committee on Claims.

S. 316. An act for the relief of June I. Gradijan; to the Committee on Claims.

S. 397. An act to provide for the presentation of medals to members of the United States Antarctic expedition of 1939-41; to the Committee on Naval Affairs.

S. 407. An act for the relief of Pierce William Van Doren and Elmer J. Coates; to the Committee on Claims.

S. 426. An act for the relief of Mr. and Mrs. Walter M. Johnson; to the Committee on Claims.

S. 467. An act for the relief of Maj. Malcolm K. Beyer; to the Committee on Claims.

S. 491. An act for the relief of John H. Gradwell; to the Committee on Claims.

S. 502. An act to permit the continuation of certain subsidy payments and certain purchase and sale operations by corporations created pursuant to section 5d (3) of the Reconstruction Finance Corporation Act, as amended, and for other purposes; to the Committee on Banking and Currency.

S. 514. An act for the relief of the Baldwin Bro. Paving Co.; to the Committee on Claims.

S. 519. An act for the relief of the estate of Charles A. Straka; to the Committee on Claims.

S. 544. An act for the relief of Dave Hougardy; to the Committee on Claims.

S. 569. An act to reimburse certain Marine Corps personnel and former Marine Corps personnel for personal property lost or damaged as the result of a fire in the training building at the Marine Corps Air Station, Cherry Point, N. C., on June 2, 1944; to the Committee on Claims.

S. 591. An act for the relief of Chesley Brazil; to the Committee on Claims.

S. 645. An act to suspend, until 6 months after the termination of the present war, section 2 of the act of March 3, 1883 (22 Stat. 481), as amended; to the Committee on Naval Affairs.

S. 646. An act to provide for the advancement of Capt. Edward Macauley, United States Navy, retired, to the rank of rear admiral; to the Committee on Naval Affairs.

S. 647. An act to authorize the Secretary of the Navy to convey to the State of Rhode Island, for highway purposes only, a strip of land within the naval advance base depot at North Kingstown, R. I.; to the Committee on Naval Affairs.

S. 681. An act to amend the National Housing Act, as amended, and for other purposes; to the Committee on Banking and Currency.

SWEARING IN OF A MEMBER

The SPEAKER. The Chair understands a Member-elect from the State of Virginia is present. He will present himself at the bar of the House and take the oath of office.

Mr. J. VAUGHAN GARY appeared at the bar of the House and took the oath of office.

CALL OF THE HOUSE

Mr. WILSON. Mr. Speaker, a point of order.

The SPEAKER. The gentleman will state it.

Mr. WILSON. Mr. Speaker, in view of the fact we have an appropriation bill up today—

The SPEAKER. The gentleman has not received recognition except on a point of order. What is the gentleman's point of order.

Mr. WILSON. Mr. Speaker, I make the point of order there are less than 30 Democrats on the floor of the House, therefore a quorum is not present.

Mr. RANKIN. Mr. Speaker, that is not a point of order. If the gentleman wants to make the point of order that a quorum is not present, that is a different proposition.

Mr. WILSON. Mr. Speaker, I make the point of order a quorum is not present.

The SPEAKER. Evidently no quorum is present.

Mr. McCORMACK. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 43]

Anderson, Calif.	Gordon	Ramey
Baldwin, N. Y.	Fagen	Rayfiel
Bates, Mass.	Hall	Reed, N. Y.
Boren	Edwin Arthur	Robinson, Utah
Buckley	Harless, Ariz.	Rogers, N. Y.
Cannon, Fla.	Hart	Sikes
Celler	Heidinger	Slaughter
Combs	Heslton	Smith, Maine
Curley	Hobbs	Smith, Va.
Dawson	Izac	Starkey
De Lacy	Johnson	Stockman
Dirksen	Lyndon B.	Taylor
Earthman	Kearney	Thom
Eaton	King	Thomas, N. J.
Ellis	LeCompte	Weaver
Elsaesser	Luce	Weiss
Flood	McKenzie	West
Fuller	Madden	White
Fulton	Morrison	Winter
Gardner	Mott	Wood
Gearhart	Pfeifer	
Gibson	Rabin	

The SPEAKER. Three hundred and sixty-nine members have answered to their names. A quorum is present.

On motion of Mr. McCORMACK, further proceedings under the call were dispensed with.

PERISHABLE FOODSTUFFS

Mr. TABER. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. TABER. Mr. Speaker, the other day I said something about lard in connection with the Commodity Credit Corporation. The next day there appeared this advertisement in the Cincinnati Enquirer for March 10, 1945:

Government lard in steel drums have broken away from the Cincinnati Warehouse, 7 West Front Street. Finders of this property please notify NA 4117, as this is Government property being held in storage for the armed forces.

Imagine! That condition continues to exist. Lard rationed and being stored in open warehouses without cold-storage facilities. Is not that a travesty?

EXTENSION OF REMARKS

Mr. RYTER. Mr. Speaker, I ask unanimous consent to extend my re-

marks in the Appendix of the Record and include a declaration of the supreme board of the Polish Women's Alliance of America relative to the Crimean Conference and an editorial from the Hartford Courant.

The SPEAKER. Is there objection to the request of the gentleman from Connecticut?

There was no objection.

[The matter referred to appears in the Appendix.]

Mr. DOYLE. Mr. Speaker, I ask unanimous consent to extend my own remarks in the Record and include therein a portion of a letter from the city attorney of the city of Long Beach, Calif.

The SPEAKER. Is there objection to the request of the gentleman from California?

There was no objection?

[The matter referred to will appear hereafter in the Appendix.]

Mr. HEDRICK. Mr. Speaker, I ask unanimous consent to extend my remarks in the Appendix of the Record and include therein an editorial from the Charleston Gazette of Charleston, W. Va.

The SPEAKER. Is there objection to the request of the gentleman from West Virginia?

There was no objection?

[The matter referred to appears in the Appendix.]

DRAFTING OF FARM LABOR

Mr. LARCADE. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentleman from Louisiana?

There was no objection.

Mr. LARCADE. Mr. Speaker, "get men for the armed forces, and if necessary close the farms and we will eat grass."

One of my constituents advised me that one of the officials of the selective-service headquarters in my State had made this statement to draft boards and to him when he conferred with selective service in regard to his son.

Mr. Speaker, as one of the members of a committee of 11 appointed at a meeting of over 200 Congressmen, I am asking that the Lemke resolution, No. 29, voted out by the Rules Committee be presented to the House for action.

Mr. Speaker, we are calling to your attention the importance of the consideration of the Lemke resolution due to the critical food shortage as selective service is not paying any attention to the deferment of essential farm and dairy workers under the terms of the Tydings amendment.

Mr. Speaker, our farm boys are patriotic and want to serve in the armed forces, but the question of the essentiality of food for our armed forces and the civilian population is of paramount importance, and something must be done about this situation—now.

79TH CONGRESS
1ST SESSION

S. 502

IN THE HOUSE OF REPRESENTATIVES

MARCH 16, 1945

Referred to the Committee on Banking and Currency

AN ACT

To permit the continuation of certain subsidy payments and certain purchase and sale operations by corporations created pursuant to section 5d (3) of the Reconstruction Finance Corporation Act, as amended, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That the last paragraph of section 2 (e) of the Emergency
4 Price Control Act of 1942, as amended by the Stabilization
5 Extension Act of 1944, shall not apply, with respect to oper-
6 ations for the fiscal year ending June 30, 1946, to corpora-
7 tions created or operations authorized to be performed pur-
8 suant to section 5d (3) of the Reconstruction Finance
9 Corporation Act, as amended: *Provided, That with respect*

1 to such corporations and such operations the making of
2 subsidy payments and buying for resale at a loss for the
3 purpose of maintaining maximum prices established pursuant
4 to provisions of the Emergency Price Control Act of 1942,
5 as amended and supplemented, shall be limited as follows:

6 (a) Payments or purchases may be made after June
7 30, 1945, in such amounts as may be necessary to fulfill
8 obligations incurred prior to July 1, 1945, with respect to
9 1945 and prior fiscal year activities.

10 (b) Payments and purchases may be made with respect
11 to operations for the fiscal year ending June 30, 1946, which
12 involve subsidies and anticipated losses as follows:

13 (1) With respect to materials or commodities, other
14 than rubber and rubber products, produced outside the
15 United States, in an amount not to exceed \$80,000,000;

16 (2) With respect to rubber and rubber products
17 produced outside the United States, in an amount not
18 to exceed \$60,000,000;

19 (3) With respect to materials or commodities pro-
20 duced within the United States, as follows:

21 (A) Meat in an amount not to exceed \$560,-
22 000,000;

23 (B) Butter in an amount not to exceed
24 \$100,000,000;

1 (C) Flour in an amount not to exceed \$190,-
2 000,000;

3 (D) Petroleum and petroleum products in an
4 amount not to exceed \$290,000,000;

5 (E) Copper, lead, and zinc, in the form of
6 premium payments, in an amount not to exceed
7 \$88,000,000; and

8 (F) Other materials or commodities in an
9 amount not to exceed \$100,000,000:

10 *Provided*, That in the event the entire amount of any of
11 the above allocations is not required for its purpose, the
12 unused portion of such allocation, but not to exceed 10 per
13 centum of such allocation, may be used for making such
14 payments on and purchases of any other item or items
15 enumerated in this Act, as may be determined by the
16 Director of Economic Stabilization: *Provided further*, That
17 the premium price plan for copper, lead, and zinc shall
18 be extended until June 30, 1946, on the same terms as
19 heretofore, except that all classes of premiums shall be non-
20 cancelable unless necessary in order to make individual
21 adjustments of income to specific mines; and that the Metals
22 Reserve Company shall purchase during the fiscal year
23 ending June 30, 1946, at its 1944 price schedule, bauxite
24 produced from such of the underground mines as supplied

1 bauxite to the Metals Reserve Company during 1944 and
2 in such quantities as the Bureau of Mines determines as
3 being subject to permanent loss if not removed prior to June
4 30, 1946, but not to exceed, however, five hundred thousand
5 long tons.

Passed the Senate March 15 (legislative day, March
12), 1945.

Attest:

LESLIE L. BIFFLE,

Secretary.

AN ACT

To permit the continuation of certain subsidy payments and certain purchase and sale operations by corporations created pursuant to section 5d (3) of the Reconstruction Finance Corporation Act, as amended, and for other purposes.

MARCH 16, 1945

Referred to the Committee on Banking and Currency

DIGEST OF PROCEEDINGS OF CONGRESS OF INTEREST TO THE DEPARTMENT OF AGRICULTURE
(Issued March 27, 1945, for actions of Monday, March 26, 1945)

(For staff of the Department only)

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SENATE

1. FIRST DEFICIENCY APPROPRIATION BILL, 1945. Passed with amendments this bill, H.R. 2374 (pp. 2794-2802). Agreed to all committee amendments as reported and to committee-approved amendments providing that the limitation on the amount that may be allocated for contributions to public and private agencies for the maintenance and operation of public works be increased from \$80,000,000 to \$85,000,000 (p. 2801) and providing that the expenses of auditing Government-corporation transactions by GAO shall be borne out of appropriations to GAO, that each such corporation shall reimburse GAO for the audit, that GAO shall deposit such sums in the Treasury as miscellaneous receipts, and that no corporation funds shall be used to pay the cost of any private audit not already contracted for (pp. 2801-2). Agreed to Sen. McKellar's amendment to strike out the item for control of incipient and emergency outbreaks of insect pests and plant diseases (p. 2802), after Sen. McKellar stated that this was one five of "urgent" items which are included in H.J.Res. 141 (see item 2).
Sens. Burton, Ohio, McKellar, Tenn., Taft, Ohio, Bridges, N.H., and others discussed CCC's program and operations (pp. 2796-2800).
2. SUPPLEMENTAL APPROPRIATIONS, 1945. Both Houses passed without amendment H.J.Res. 141, containing items of an urgent character and including the provision as contained in the first deficiency appropriation bill for the control of incipient and emergency outbreaks of insect pests and plant diseases, \$1,080,050 (pp. 2802, 2816-8). This measure had been reported earlier in the day by the House Appropriations Committee (H.Rept. 384) (p. 2839). This measure will now be sent to the President.
3. FOREIGN TRADE. Both Houses received the President's message concerning the United Nations conference at San Francisco on international organization and the extension of the reciprocal trade agreements program. To Senate Finance and House Ways and Means Committees. (pp. 2802-4, 2837-9).

4. DEBT LIMIT. Passed without amendment H.R.2404, to increase the debt limit to \$300,000,000,000 (including the face amount of obligations guaranteed as to principal and interest by the U.S. (pp. 2804-6, 2810-14). This bill will now be sent to the President.
 5. POST-WAR AGRICULTURE. Received from the President the 1st report to the Governments of the United Nations by the Interim Commission on Food and Agriculture (pp. 2814-5). In his message the President stated, "The Interim Commission has done its work well. It has prepared a plan for a permanent international organization through which governments can pool and extend their knowledge and collaborate with each other in raising the standards of nutrition of their peoples and in establishing and maintaining an expanding prosperity for agriculture in all countries"
 6. AGRICULTURAL APPROPRIATION BILL, 1946, was referred to the Senate Appropriations Committee (p. 2792).
 7. WATER UTILIZATION. Continued debate on the Mexican Water Treaty (p. 2793).
 8. COLUMBIA VALLEY AUTHORITY. Received an Oreg. Legislature resolution opposing the bills S. 460 and H.R. 1824, providing for the establishment of CVA, "or any... legislation that will deprive...Oregon...and its people of rights now existing... to control and use the waters within their borders for domestic use, irrigation and drainage...flood control" etc. To Commerce Committee. (pp. 2788-9.)
Both Houses
 9. PAYMENTS IN LIEU OF TAXES. Received an Ariz. Legislature resolution urging legislation to compensate the State for the loss of taxes on public lands (pp. 2789, 2840).
 10. CIGARETTE SUPPLY. Sen. Langer, N.Dak., inserted a letter from the Smaller Tobacco Manufacturers urging efforts to relieve the tobacco situation (pp. 2792-3).
 11. MILITARY TRAINING. Received a S.C. American Legion Post resolution favoring universal military training (p. 2789).
 12. MANPOWER. Sen. McCarran, Nev., inserted William Green's (AFofL) letter opposing the manpower bill, H.R.1752 (p. 2792).
 13. FEDERAL-AID ROADS. Sen. Wiley, Wis., inserted a Wis. county officials resolution urging that Federal-aid funds for road improvement be made available under the direct supervision of local highway officials (p. 2790).
- HOUSE
14. FOOD SUPPLY. Began debate on H.Res. 195, providing for a special committee to investigate supplies and shortages of food, especially meat (pp. 2829-36). Rep. Flannagan, Va., criticized the proposal to set up a special committee (pp. 2829-30). Rep. Cox, Ga., stated that "I thought.../the Agriculture Committee/should be given the power...but my committee thought otherwise" (p. 2829). Rep. Hope, spoke favoring an investigation and stated that "we need...an over-all food administration" (p. 2830).
 15. SUBSIDIES. Banking and Currency Committee reported without amendment H.R.2775, to permit certain subsidy and loss operations, in the case of flour, without regard to the provision in the Emergency Price Control Act relating to less than maximum production (H.Rept. 394) (pp. 2839-40).

16. **COMMODITY CREDIT.** Received the conference report on S. 298, the CCC bill. As reported from conference, the bill provides as follows:
- Increases CCC's borrowing power to \$4,750,000. Suspends, until two years after Jan. 1 immediately following the end of the war, restrictions on the sale of cotton in Sec. 381 (c) of the Agricultural Adjustment Act of 1938, and provides that during this period CCC shall not sell any farm commodity owned or controlled by it at less than the parity or comparable price except that such restrictions shall not apply to the following: (1) Sales for new or byproduct uses; (2) sales of oil peanuts; (3) sales for export; (4) sales for seed or feed, provided that no wheat or corn shall be sold for feed at less than parity price for corn at the time such sale is made and provided that in making regional adjustments in the sale price of corn or wheat for feed, the minimum price need not be higher in any area than the U. S. average corn parity price; (5) sales of non-basic perishable commodities when there is danger of waste from spoilage; or (6) sales for the purpose of establishing claims against persons who have committed fraud, misrepresentation, or other wrongful acts with respect to the commodity. Provides that the present method used for purposes of CCC loans for determining parity price for 7/8 inch Middling cotton at the average location used in fixing the base loan rate for cotton shall also be used for determining the parity price for 7/8 inch Middling cotton at such average location. Makes inapplicable to CCC, for the fiscal year 1946, the prohibition in the Stabilization Extension Act of 1944 against subsidies, etc., but limits CCC subsidies as follows: (1) Permits payments to complete operations for 1944 and prior-year crop programs and to fulfill obligations incurred prior to July 1, 1945, with respect to 1945 and prior fiscal year noncrop programs; and (2) permits payments in amounts not over \$568,000,000 during fiscal year 1946 for the dairy production payment program, \$120,000,000 during that period for other noncrop programs, and \$225,000,000 for the 1945 crop program. Authorizes the interchange of funds for the above operations up to 10% but prohibits the total subsidy payments and losses absorbed under any one of the operations from being increased by more than 10%. Provides that the rate of payment per pound of butterfat delivered under the dairy-production payment program beginning Apr. 1945, shall not be less than 25% of the national weighted average rate of payment per 100 pounds of whole milk delivered. Provides for annual appraisals of CCC assets as of June 30 (now Mar. 31) on the basis of the lower of average market price during the last month of the fiscal year or cost (now the lower of cost, including not more than one year's charges, or average market prices for 12 months before appraisal). Continues CCC as a Government agency from June 30, 1945, until June 30, 1947. (pp. 2820-2.) The Senate has not yet received the conference report.
7. **MANPOWER.** Both Houses received the conference report on H. R. 1752, the manpower bill (pp. 2806-10, 2825-8).. The conference agreement contains the Senate amendment relating to the manner in which Sec. 5(k) of the Selective Training and Service Act shall be applied.. The House conferees' statement states, "This provisions in conjunction with the authority of the Director to invoke a "freeze" will keep workers on the farms unless satisfactorily replaced and thus prevent declines in farm production."
3. **DUAL EMPLOYMENT.** Agreed to, without amendment, H. J. Res. 142, authorizing the Doorkeeper of the House of Representatives to employ, whenever necessary, the services of Government employees for folding speeches and pamphlets at the prevailing rates provided by law (p. 2820).
9. **HOUSING.** Received the conference report on S. 681, to increase the mortgage authorization under the National Housing Act, to extend the Federal Housing Authority until July 1, 1946, and to assist in the liquidation of housing

properties (p. 2822).

20. EXPENDITURES. Received an Iowa Legislature resolution favoring constitutional control of the Budget toward balancing Federal expenditures and income (p. 2840).

21. INVESTIGATIONS. Agreed without amendment to H. Res. 205, authorizing additional funds not to exceed \$20,000 to be incurred by the Interstate and Foreign Commerce Committee for continuing an investigation with respect to petroleum (p. 2818-9).

Agreed without amendment to H. Res. 206, authorizing additional funds not to exceed \$15,500 to be expended by the Labor Committee to continue an investigation relating to aid given by Federal, State, and local governments and private agencies to the physically handicapped (p. 2819).

Agreed without amendment to H. Res. 207, authorizing additional funds not to exceed \$7,000 to be expended by the Public Lands Committee to continue a study of certain public-land problems and the use of public lands in the rehabilitation of veterans (p. 2819).

Agreed without amendment to H. Res. 208, authorizing additional funds not to exceed \$46,000 to be expended by the Naval Affairs Committee to continue an investigation of the progress of the war effort (p. 2819).

22. WILDLIFE. Received Interior's proposed legislation to amend the Alaska game law. To Territories Committee. (p. 2839.)

BILLS INTRODUCED

23. BANKING AND CURRENCY. S. 790, by Sen. Bailey, N. C., to authorize and direct the sale of certain U. S. notes and obligations to private persons, firms, associations, or corporations. To Finance Committee. (p. 2790.)

H. R. 2776, by Rep. Spence, Ky., and S. 792, by Sen. Wagner, N. Y., to control and regulate bank holding companies, to control and regulate relationships between insured banks and their affiliates. To Banking and Currency Committee. (pp. 2790, 2840.)

24. SUBSIDIES. H. R. 2775, by Rep. Spence, Ky., permitting certain subsidy and loss operations, in the case of flour, without regard to the provisions of the last paragraph of section 2 (e) of the Emergency Price Control Act of 1942. To Banking and Currency Committee. (p. 2840.)

25. PUERTO RICO. H. R. 2781, by Rep. Marcantonio, N. Y., to provide for Puerto Rican independence. To Insular Affairs Committee. (p. 2840.)

26. TESTIMONY. H. J. Res. 144, by Rep. Horan, Wash., to require the head of each department, agency, or independent establishment in the executive branch of the Government to appear monthly before the committee of the House of Representatives concerned with its activities. To Rules Committee. (p. 2840.)

ITEMS IN APPENDIX

27. FULL-EMPLOYMENT BUDGET. Sen. Murray, Mont., inserted a series of excerpts and quotations favoring full-employment legislation (pp. A1583-6).

Sen. Brewster, Maine, inserted a Washington Post article on post-war problems and full employment, including a London Economist's article (p. A1589).

28. TAXATION. Extension of remarks of Rep. Patman, Tex., including Pres. Guenther's (Nebr. State Federation of Labor) editorial, criticizing the proposed

field of trade has many fronts, and we must try to get forward on each of them as rapidly and as wisely as we can. I shall continue therefore to explore the possibility also of reaching a common understanding with the friendly nations of the world on some of the other international trade problems that confront us. The appropriate committees of the Congress will be fully consulted as that work progresses. The purpose of the whole effort is to eliminate economic warfare, to make practical international cooperation effective on as many fronts as possible, and so to lay the economic basis for the secure and peaceful world we all desire.

When this trade agreements legislation and the other legislation I have recommended to this Congress is adopted, and when the General Organization of the United Nations and their various special agencies, including one on trade, have been created and are functioning, we shall have made a good beginning at creating a workable kit of tools for the new world of international cooperation to which we all look forward. We shall be equipped to deal with the great overriding question of security, and with the crucial questions of money and exchange, international investment, trade, civil aviation, labor, and agriculture.

As I said in my message of February 12 on the Bretton Woods proposals:

The point in history at which we stand is full of promise and of danger. The world will either move toward unity and widely shared prosperity or it will move apart into necessarily competing economic blocs. We have a chance, we citizens of the United States, to use our influence in favor of a more united and cooperating world. Whether we do so will determine, as far as it is in our power, the kind of lives our grandchildren can live.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE, March 26, 1945.

COMMITTEE ON BANKING AND CURRENCY

Mr. SPENCE. Mr. Speaker, I ask unanimous consent that the Committee on Banking and Currency have until midnight tonight to file a report on the bill H. R. 2775.

The SPEAKER. Is there objection to the request of the gentleman from Kentucky?

There was no objection.

HOOR OF MEETING TOMORROW

Mr. McCORMACK. Mr. Speaker, I ask unanimous consent that when the House adjourns today it adjourn to meet at 11 o'clock tomorrow.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

DESIGNATION OF ACTING MAJORITY LEADER

Mr. McCORMACK. Mr. Speaker, I desire to announce that I have designated the gentleman from California [Mr. SHEPPARD] to act as majority leader during the recess while I am away.

EXTENSION OF REMARKS

Mr. MERROW asked and was given permission to revise and extend the remarks he made on House Resolution 95.

Mr. DICKSTEIN asked and was given permission to extend his remarks in the RECORD and include an address delivered by the gentlewoman from California [Mrs. DOUGLAS] in New York City on March 23.

Mr. LEWIS asked and was given permission to extend his remarks in the RECORD in two instances and in one to include an excerpt from a newspaper.

Mr. REES of Kansas asked and was given permission to revise and extend his remarks.

Mr. PHILBIN asked and was given permission to extend his remarks in the RECORD and include an editorial and an article from today's Washington News.

BILL PRESENTED TO THE PRESIDENT

Mr. ROGERS of New York, from the Committee on Enrolled Bills, reported that that committee did on this day present to the President, for his approval, a bill of the House of the following title:

H. R. 2126. An act making appropriations for the fiscal year ending June 30, 1946, for civil functions administered by the War Department, and for other purposes.

ADJOURNMENT

Mr. McCORMACK. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 2 o'clock and 19 minutes p. m.), under its previous order, the House adjourned until tomorrow, Tuesday, March 27, 1945, at 11 o'clock a. m.

COMMITTEE HEARINGS

COMMITTEE ON THE POST OFFICE AND POST ROADS

(Tuesday, March 27, 1945)

The Committee on the Post Office and Post Roads will meet on Tuesday, March 27, at 10 o'clock, for the purpose of holding further hearings on H. R. 2071, a bill to reclassify the salaries of employees in the Postal Service, to establish uniform procedure for computing compensation, and so forth.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

351. A letter from the Acting Secretary of the Interior, transmitting a draft of a proposed bill to amend the Alaska game law; to the Committee on the Territories.

352. A letter from the Vice President of Panama Railroad Company, transmitting a quarterly estimate of personnel requirements, for the quarter ending June 30, 1945; to the Committee on the Civil Service.

353. A letter from the Acting Secretary of War, transmitting a draft of a proposed bill to authorize the Secretary of War to exchange with the Rosslyn Connecting Railroad Co. certain lands in the vicinity of the War Department Pentagon Building, in Arlington, Va.; to the Committee on Military Affairs.

354. A letter from the Acting Secretary of War, transmitting a copy of the quarterly estimate of personnel requirements, for the

quarter ending June 30, 1945; to the Committee on the Civil Service.

355. A letter from the Under Secretary of the Interior, transmitting a copy of the quarterly estimates of personnel requirements covering the quarter ending June 30, 1945; to the Committee on the Civil Service.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. CANNON of Missouri: Committee on Appropriations. House joint resolution 121. Joint resolution making supplemental appropriations for the fiscal year ending June 30, 1945, in lieu of certain appropriations contained in H. R. 2374, Seventy-ninth Congress, first session, and for other purposes; without amendment (Rept. No. 384). Referred to the Committee of the Whole House on the state of the Union.

Mr. COCHRAN: Committee on Accounts. House Resolution 204. Resolution providing funds for expenses of the Committee on Ways and Means in obtaining information with respect to the need for the amendment and expansion of the Social Security Act; without amendment (Rept. No. 385). Referred to the House Calendar.

Mr. COCHRAN: Committee on Accounts. House Resolution 205. Resolution providing for the expenses of conducting the study and investigation authorized by House Resolution 187 of the Seventy-ninth Congress incurred by the Committee on Interstate and Foreign Commerce; without amendment (Rept. No. 383). Referred to the House Calendar.

Mr. COCHRAN: Committee on Accounts. House Resolution 206. Resolution providing for the expenses of conducting the study and investigation authorized by House Resolution 45; without amendment (Rept. No. 387). Referred to the House Calendar.

Mr. COCHRAN: Committee on Accounts. House Resolution 207. Resolution providing for the expenses of conducting the study and investigation authorized by House Resolution 98 of the Seventy-ninth Congress incurred by the Committee on Public Lands; without amendment (Rept. No. 388). Referred to the House Calendar.

Mr. COCHRAN: Committee on Accounts. House Resolution 208. Resolution providing for the expenses of conducting the study and investigation authorized by House Resolution 154 of the Seventy-ninth Congress incurred by the Committee on Naval Affairs; without amendment (Rept. No. 389). Referred to the House Calendar.

Mr. COCHRAN: Committee on Accounts. House Resolution 209. Resolution providing for the expenses of conducting the study and investigation authorized by House Resolution 62 of the Seventy-ninth Congress incurred by the Committee on Public Buildings and Grounds; without amendment (Rept. No. 390). Referred to the House Calendar.

Mr. COCHRAN: Committee on Accounts. House Resolution 210. Resolution providing for the compensation of the assistants to the superintendent of the House Press Gallery; without amendment (Rept. No. 391). Referred to the House Calendar.

Mr. BOREN: Committee on Interstate and Foreign Commerce. H. R. 694. A bill to amend section 321, title III, part II, Transportation Act of 1940, with respect to the movement of Government traffic; without amendment (Rept. No. 393). Referred to the Committee of the Whole House on the state of the Union.

Mr. SPENCE: Committee on Banking and Currency. H. R. 2775. A bill to permit cer-

tain subsidy and loss operations, in the case of flour, without regard to the provisions of the last paragraph of section 2 (e) of the Emergency Price Control Act of 1942; without amendment (Rept. No. 394). Referred to the House Calendar.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. SPENCE:

H. R. 2775. A bill to permit certain subsidy and loss operations, in the case of flour, without regard to the provisions of the last paragraph of section 2 (e) of the Emergency Price Control Act of 1942; to the Committee on Banking and Currency.

H. R. 2776. A bill to control and regulate bank holding companies, to control and regulate relationships between insured banks and their affiliates, and for other purposes; to the Committee on Banking and Currency.

By Mr. HORAN:

H. R. 2777. A bill to provide an additional surtax exemption to certain heads of families; to the Committee on Ways and Means.

H. R. 2778. A bill to provide for the erection in Wenatchee, Wash., of a memorial in commemoration of the achievement of Clyde Pangborn and Hugh Herndon, Jr., in making the first nonstop flight from the Orient to the United States; to the Committee on the Library.

By Mr. KEARNEY:

H. R. 2779. A bill to permit civilian defense volunteers to retain on the cessation of civilian defense activities certain equipment issued by the United States; to the Committee on Expenditures in the Executive Departments.

By Mr. FLOOD:

H. R. 2780. A bill to provide for the presentation by the President of suitable insignia to Gold Star mothers and fathers of World War No. 2; to the Committee on Military Affairs.

By Mr. MARCANTONIO:

H. R. 2781. A bill to provide for the withdrawal of the sovereignty of the United States over the island of Puerto Rico and for the recognition of its independence; to provide for the notification thereof to foreign governments; to provide for the assumption by the government of Puerto Rico of obligations under the treaty with Spain on December 10, 1898; to define trade and other relations between the United States and Puerto Rico; to provide for the calling of a convention to frame a constitution for the government of the island of Puerto Rico; to provide for certain mandatory provisions of the proposed constitution; to provide for the submission of the constitution to the people of Puerto Rico and its submission to the President of the United States for his approval; to provide for the adjustment of property rights between the United States and Puerto Rico; to

provide for the maintenance of military, coaling, and naval stations by the United States on the island of Puerto Rico until the termination of the war between the United States and Germany and Japan; to continue in force certain statutes until independence has been acknowledged; and for other purposes; to the Committee on Insular Affairs.

By Mr. PLUMLEY:

H. J. Res. 143. Joint resolution authorizing the presentation of medals to the widows, children, or mothers of persons who lose their lives in the military or naval service during World War No. 2; to the Committee on Military Affairs.

By Mr. HORAN:

H. J. Res. 144. Joint resolution to require the head of each department, agency, or independent establishment in the executive branch of the Government to appear monthly before the committee of the House of Representatives concerned with its activities; to the Committee on Rules.

By Mr. COLMER:

H. Res. 211. Resolution authorizing the Special Committee on Post-War Economic Policy and Planning of the House of Representatives to have printed for its use additional copies of part 4 of the hearings on problems of foreign trade and shipping held before said special committee during the second session of the Seventy-eighth Congress and the current session; to the Committee on Printing.

MEMORIALS

Under clause 3 of rule XXII, memorials were presented and referred as follows:

By the SPEAKER: Memorial of the Legislature of the State of Oklahoma, memorializing the President and the Congress of the United States to enact House Resolution 1197, a resolution to validate titles to certain lands conveyed by Indians of the Five Civilized Tribes; to the Committee on Indian Affairs.

Also, memorial of the Legislature of the State of Arizona, memorializing the President and the Congress of the United States to enact legislation to compensate the State for the loss of taxes on public lands; to the Committee on the Public Lands.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. EARTHMAN:

H. R. 2782. A bill for the relief of the Lebanon Woolen Mills, Inc.; to the Committee on Claims.

By Mr. QUINN of New York:

H. R. 2783. A bill for the relief of Herluf F. J. Ravn; to the Committee on War Claims.

By Mr. TOLAN:

H. R. 2784. A bill for the relief of Fred Pittell; to the Committee on Claims.

H. R. 2785. A bill for the relief of Will O'Brien, Mrs. Bessie O'Brien, and Jane O'Brien; to the Committee on Claims.

By Mr. TRAYNOR:

H. R. 2786. A bill for the relief of John S. Wingate; to the Committee on Claims.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

282. By Mr. FORAND: Petition of 137 residents of the State of Rhode Island, beseeching the Members of the Senate and House of Representatives of the Congress of the United States to prevent the alcoholic beverage industry from directing high-pressure campaigns to increase its profits at the expense of the home and of youth, by prohibiting it the use of the air, periodicals, newspapers, motion pictures, or any other form of advertising, in view of the fact that our Nation is facing a world full of danger in which it becomes imperatively necessary to conserve our youth and to achieve a high degree of physical fitness; to the Committee on the Judiciary.

283. By Mr. JENSEN: Petition of the State Legislature of Iowa, memorializing the Congress of the United States to take immediate favorable action on Senate Joint Resolution 8, establishing a procedure by which Federal spending and Federal income would be balanced except in specified emergencies; to the Committee on Appropriations.

284. By Mr. MURDOCK: Memorial of the State Legislature of Arizona, requesting the Congress to enact legislation to compensate the State for the loss of taxes on the public lands; to the Committee on the Public Lands.

285. By Mr. SULLIVAN: Petition of Mr. Clementi and 32 other citizens of St. Louis, Mo., protesting against the passage of any prohibition legislation by the Congress; to the Committee on the Judiciary.

286. Also, petition of Mrs. Kennedy and 31 other citizens of St. Louis, Mo., protesting against the passage of any prohibition legislation by the Congress; to the Committee on the Judiciary.

287. Also, petition of Mr. Cooke and 31 other citizens of St. Louis, Mo., protesting against the passage of any prohibition legislation by the Congress; to the Committee on the Judiciary.

288. Also, petition of Mrs. Hammach and 27 other citizens of St. Louis, Mo., protesting against the passage of any prohibition legislation by the Congress; to the Committee on the Judiciary.

289. Also, petition of Mr. Holmes and 82 other citizens of St. Louis, Mo., protesting against the passage of any prohibition legislation by the Congress; to the Committee on the Judiciary.

79TH CONGRESS
1ST SESSION

H. R. 2775

[Report No. 394]

IN THE HOUSE OF REPRESENTATIVES

MARCH 26, 1945

Mr. SPENCE introduced the following bill; which was referred to the Committee on Banking and Currency

MARCH 26, 1945

Committed to the Committee of the Whole House on the state of the Union
and ordered to be printed

A BILL

To permit certain subsidy and loss operations, in the case of flour, without regard to the provisions of the last paragraph of section 2 (e) of the Emergency Price Control Act of 1942.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That without regard to the provisions of the last paragraph
4 of section 2 (e) of the Emergency Price Control Act of
5 1942, as amended, subsidy payments and purchases for
6 resale at a loss may be made by the Defense Supplies
7 Corporation, during the fiscal year ending June 30, 1946,
8 with respect to flour produced within the United States, in
9 an amount not to exceed \$190,000,000.

79TH CONGRESS
1ST Session

H. R. 2775

[Report No. 394]

A BILL

To permit certain subsidy and loss operations, in the case of flour, without regard to the provisions of the last paragraph of section 2 (e) of the Emergency Price Control Act of 1942.

By Mr. SPENCE

MARCH 26, 1945

Referred to the Committee on Banking and Currency

MARCH 26, 1945

Committed to the Committee of the Whole House on the state of the Union and ordered to be printed

SUBSIDY AND LOSS OPERATIONS, DURING THE FISCAL YEAR 1946, IN THE CASE OF FLOUR

MARCH 26, 1945.—Referred to the House Calendar and ordered to be printed

Mr. SPENCE, from the Committee on Banking and Currency, submitted the following

R E P O R T

[To accompany H. R. 2775]

The Committee on Banking and Currency, to whom was referred the bill (H. R. 2775) to permit certain subsidy and loss operations, in the case of flour, without regard to the provisions of the last paragraph of section 2 (e) of the Emergency Price Control Act of 1942, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

The purpose of this bill is to permit the continuation of subsidy payments made on flour by Defense Supplies Corporation, a subsidiary of the Reconstruction Finance Corporation, with respect to flour ground after June 30, 1945, notwithstanding the last paragraph of section 2 (e) of the Emergency Price Control Act of 1942, as amended. That provision reads as follows:

After June 30, 1945, neither the Price Administrator nor the Reconstruction Finance Corporation nor any other Government corporation shall make any subsidy payments, or buy any commodities for the purpose of selling them at a loss and thereby subsidizing directly or indirectly the sale of commodities, unless the money required for such subsidies, or sale at a loss, has been appropriated by Congress for such purpose; and appropriations for such purpose are hereby authorized to be made.

This committee now has before it a bill (S. 502), which passed the Senate March 15, 1945, proposing to make the above-quoted provision of the Emergency Price Control Act of 1942 inapplicable during the fiscal year 1946 with respect to the corporations created, or operations authorized to be performed, pursuant to section 5d (3) of the Reconstruction Finance Corporation Act. That bill embraces all of the activities of such corporations affected by the last paragraph of section 2 (e) of the Emergency Price Control Act of 1942, quoted

above, including the operations of the Defense Supplies Corporation with respect to flour covered by the bill here being reported.

This committee has not completed its hearings on the Senate bill because it is desirous of obtaining more information regarding some of the matters involved therein. However, because of an acute situation with respect to the ability of the War Department and certain other agencies of the Government to continue their procurement program on flour, the committee believes that prompt action should be taken for the passage of legislation to carry out the purposes of the Senate bill insofar as they relate to the operations of the Defense Supplies Corporation with respect to flour. The present bill has accordingly been introduced and reported to the House to accomplish this purpose. The committee recommends the prompt enactment of this bill without awaiting the completion of the hearings with regard to the other matters involved in the Senate bill.

The amount which the bill authorizes for subsidy payments on domestic flour produced during the fiscal year ending June 30, 1946, is \$190,000,000, the same amount recommended for such flour subsidy payments during that period in the Senate bill above referred to. This, the committee understands, envisions a flour production of 265,000,000 hundredweights (a little below that of the calendar year 1944) which would require approximately 622,000,000 bushels of wheat. The subsidy rate varies with the wheat market, and if wheat stays at full ceilings with parity unchanged the payments would average about 30 cents a bushel.

The flour subsidy payments are made to mills on wheat ground into flour to compensate them for the differential between the market price of wheat and the wheat cost on which the Office of Price Administration flour ceilings are based. The rates of payment vary monthly with the wheat market. While payments are on production, the applicable month's rate is determined for large mills by the date the flour was sold. Small mills receive payment at the rates in effect during the month of grind to enable them to avoid bookkeeping problems.

Because of the use of flour sales to determine which month's rate is applicable, deductions were made at the beginning of the flour subsidy program for all wheat ground into flour after December 1, 1943 to fill forward sales made before December 1, 1943. *On termination of the program those mills would be entitled to the subsidy payments on an amount of flour equivalent to the lesser of that covered by sales made prior to December 1, 1943, and deducted at the beginning of the program and the amount of forward sales on their books at time of termination, provided it was ground within 120 days after termination of the program.

Notwithstanding the fact that Congress had not within 120 days prior to June 30, 1945, enacted legislation to permit the continuance of subsidy payments after June 30, 1945, Defense Supplies Corporation, with the approval of the Director of Economic Stabilization, decided that the program should not be terminated and instead notified the millers that payment of the subsidy on the forward sales of flour ground after June 30, 1945, could be made only from such funds as might hereafter be made available by the Congress for that purpose. Thus, those mills which have made forward sales of flour approximating their grinding capacity up to June 30, 1945, are confronted

with an immediate problem as to the booking of any additional business.

The manner in which this situation affects the War Department is indicated by the following letter addressed to the chairman of the committee by the Honorable Robert H. Patterson, Under Secretary of War:

MARCH 24, 1945.

HON. BRENT SPENCE,
Chairman, Committee on Banking and Currency,
House of Representatives.

DEAR MR. SPENCE: There is now pending before your committee legislation to extend commodity subsidies, including subsidies on flour, which has already passed the Senate. I am writing to request early consideration of this legislation by your committee.

Several procuring agencies of the War Department are under the necessity of promptly placing contracts for certain of the commodities dealt with in the bill. An outstanding example is the procurement of flour by the War Department, which heretofore has been facilitated through the payment of a direct subsidy to the flour producers by Defense Supplies Corporation, a subsidiary of Reconstruction Finance Corporation. These subsidy payments will become illegal after June 30, 1945, in the absence of legislation such as is now pending before your committee. While the War Department is not intrinsically concerned with whether its procurement is made possible by subsidy payments, it is vitally interested in maintaining a situation that will make the flour continuously available in the quantities needed by the Army.

In view of the fact that contracts must be placed in advance for flour to be ground after June 30, 1945, the War Department is desirous that the bill be enacted as speedily as possible. Anything you can do to expedite the favorable consideration of this measure by your committee will be much appreciated.

The War Department has not been advised of the relation to the program of the President of any particular bill pending before your committee.

Sincerely yours,

ROBERT P. PATTERSON,
Acting Secretary of War.



1945 FLOUR SUBSIDY PROGRAM

HEARING BEFORE THE COMMITTEE ON BANKING AND CURRENCY HOUSE OF REPRESENTATIVES SEVENTY-NINTH CONGRESS FIRST SESSION

ON

S. 502

AN ACT TO PERMIT THE CONTINUATION OF CERTAIN
SUBSIDY PAYMENTS AND CERTAIN PURCHASE AND
SALE OPERATIONS BY CORPORATIONS CREATED
PURSUANT TO SECTION 5D (3) OF THE RECON-
STRUCTION FINANCE CORPORATION ACT,
AS AMENDED, AND FOR OTHER PURPOSES

AND

H. R. 2775

A BILL TO PERMIT CERTAIN SUBSIDY AND LOSS OPER-
ATIONS, IN THE CASE OF FLOUR, WITHOUT REGARD
TO THE PROVISIONS OF THE LAST PARAGRAPH
OF SECTION 2 (E) OF THE EMERGENCY
PRICE CONTROL ACT OF 1942

MARCH 26, 1945

Printed for the use of the Committee on Banking and Currency



COMMITTEE ON BANKING AND CURRENCY

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WALLACE E. DINGUS, *Clerk*

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1945 FLOUR SUBSIDY PROGRAM

MONDAY, MARCH 26, 1945

HOUSE OF REPRESENTATIVES,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C.

The CHAIRMAN. The committee will be in order.

Mr. Goodloe, general counsel for the Reconstruction Finance Corporation, is here, and we will take up bill S. 502, to permit the continuation of certain subsidy payments and certain purchase and sale operations by corporations created pursuant to section 5d (3) of the Reconstruction Finance Corporation Act, as amended, and for other purposes.

(The bill is as follows:)

[S. 502, 79th Cong., 1st sess.]

AN ACT To permit the continuation of certain subsidy payments and certain purchase and sale operations by corporations created pursuant to section 5d (3) of the Reconstruction Finance Corporation Act, as amended, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the last paragraph of section 2 (e) of the Emergency Price Control Act of 1942, as amended by the Stabilization Extension Act of 1944, shall not apply, with respect to operations for the fiscal year ending June 30, 1946, to corporations created or operations authorized to be performed pursuant to section 5d (3) of the Reconstruction Finance Corporation Act, as amended: *Provided*, That with respect to such corporations and such operations the making of subsidy payments and buying for resale at a loss for the purpose of maintaining maximum prices established pursuant to provisions of the Emergency Price Control Act of 1942, as amended and supplemented, shall be limited as follows:

(a) Payments or purchases may be made after June 30, 1945, in such amounts as may be necessary to fulfill obligations incurred prior to July 1, 1945, with respect to 1945 and prior fiscal year activities.

(b) Payments and purchases may be made with respect to operations for the fiscal year ending June 30, 1946, which involve subsidies and anticipated losses as follows:

(1) With respect to materials or commodities, other than rubber and rubber products, produced outside the United States, in an amount not to exceed \$80,000,000;

(2) With respect to rubber and rubber products produced outside the United States, in an amount not to exceed \$60,000,000;

(3) With respect to materials or commodities produced within the United States, as follows:

(A) Meat in an amount not to exceed \$560,000,000;

(B) Butter in an amount not to exceed \$100,000,000;

(C) Flour in an amount not to exceed \$190,000,000;

(D) Petroleum and petroleum products in an amount not to exceed \$290,000,000;

(E) Copper, lead, and zinc, in the form of premium payments, in an amount not to exceed \$88,000,000; and

(F) Other materials or commodities in an amount not to exceed \$100,000,000:

Provided, That in the event the entire amount of any of the above allocations is not required for its purpose, the unused portion of such allocation, but not to

exceed 10 per centum of such allocation, may be used for making such payments on and purchases of any other item or items enumerated in this Act, as may be determined by the Director of Economic Stabilization: *Provided further*, That the premium price plan for copper, lead, and zinc shall be extended until June 30, 1946, on the same terms as heretofore, except that all classes of premiums shall be nonecancelable unless necessary in order to make individual adjustments of income to specific mines; and that the Metals Reserve Company shall purchase during the fiscal year ending June 30, 1946, at its 1944 price schedule, bauxite produced from such of the underground mines as supplied bauxite to the Metals Reserve Company during 1944 and in such quantities as the Bureau of Mines determines as being subject to permanent loss if not removed prior to June 30, 1946, but not to exceed, however, five hundred thousand long tons.

Passed the Senate March 15 (legislative day, March 12), 1945.

Attest:

LESLIE L. BIFFLE,
Secretary.

The CHAIRMAN. Mr. Goodloe, I understand Mr. Taft is here and he would like to leave the city, and he would like to make a statement, if it is satisfactory to you. Mr. Charles Taft.

Mr. GOODLOE. Surely.

The CHAIRMAN. Mr. Taft, we will be glad to hear you.

STATEMENT OF CHARLES TAFT, U. S. COMMERCIAL COMPANY, DEPARTMENT OF STATE

Mr. TAFT. Mr. Chairman, we have submitted a letter from the State Department, where I have the responsibility, as Mr. Clayton's special assistant, for matters of economic foreign policy, including procurement of minerals and prospective cut-backs in contracts abroad, so that the Department is considerably concerned about the provision in this bill for the continuance for a period of a year of all classes of premiums on copper, lead, and zinc.

I hardly need say to this committee that one of the most difficult problems which the Department faces is the cut-back of certain types of very necessary raw materials, necessary during the wartime, which become in much less demand as soon as the Army requirements are cut back. That has come especially to our attention in connection with the recent conference at Mexico City.

The position that we have taken for some time is expressed in our letter. I might just read one paragraph of it, signed by Mr. Grew as Acting Secretary.

It is my considered opinion that to guarantee subsidies on the present scale to domestic producers for more than a year, while commitments to suppliers in foreign countries are limited to a 3-month period, would have the effect of confining any necessary reductions in the procurement of these metals to foreign suppliers until June 30, 1946, regardless of the relative cost. It is readily conceivable that as a consequence this Government might be obliged to continue purchasing, for example, domestic copper, at a price as high as 27 cents per pound, and be obliged at the same time to refrain from purchasing copper produced abroad and offered for sale at 12 cents per pound or less.

This would have the effect of raising the tariff on copper to 15 cents per pound or more for a limited period of time as compared to the existing excise tax of 4 cents per pound. I feel sure that you can readily visualize the effects of such action on the other American republics and, indeed, on all the United Nations.

I think that gives the substance of it. I spoke, myself, in Denver about a month or 6 weeks ago, on this same subject and said this:

What about the question between domestic and foreign producers? The State Department has been widely advertised among your mining fraternity as advocating the continuance of foreign purchases while your mines are shut down.

That statement is not true and has never been true. That was not the position of Mr. Nolan, who preceded me as the officer responsible for relationships for the wartime policy of the Department in this respect.

We do take the position that the producers should be treated with justice in the cutting back or termination of existing contracts. That means that all high-cost mines, here or abroad, should be treated alike, in our judgment; if they are closed down or cut back here, they should be closed down or cut back abroad, and vice versa.

When the requirements cease, they should all be cut down. The high-cost mines have to be closed down eventually, and you should plan for the fairest and most effective way to do it when the time comes. You must plan for other ways for those miners to be employed in soundly established peacetime industry after they have finished their job in the war. But let me repeat that their job in the war was never more essential than now, at this crisis of the battle.

I would point out further, they are——

Mr. BROWN. Whose statement were you reading?

Mr. TAFT. That was my own statement that I made to the mining group in Denver when the Rocky Mountain Congress met there.

I would point out further there, that even the low-cost mines at the present time are having considerable difficulty in getting sufficient manpower, so that the Army has released a considerable number of men to go back to the mines, but one of the principal producers of zinc told me that he was still running at somewhere between 50 and 75 percent capacity because he could not get the manpower. That is a low-cost mine. The problem of keeping these mines open certainly means keeping people in a job where they cannot possibly stay at the end of that period and where the readjustment should begin, in our judgment, at an earlier period than 1 year from the time of the passage of this bill.

I think that expresses our views, Mr. Chairman, and the letter which Mr. Grew has sent to you will be on the record, so that it can give you an official statement of the State Department's position.

The CHAIRMAN. Are all the mines operating now?

Mr. TAFT. You mean abroad?

The CHAIRMAN. I mean in the United States. Calumet and Hecla were down for a while, were they not?

Mr. TAFT. My impression is that some of the high-cost mines had negotiations for cutting back and then the Army came in with greatly increased requirements of copper again. I do not think they were closed, although the representative of the War Production Board, who is here, can give you the exact details on that.

The domestic end, of course, is not our business, except as it relates to the foreign end, so we must know about it, but the exact information would come from the War Production Board.

The CHAIRMAN. Are there any questions? Mr. Wolcott.

Mr. WOLCOTT. I do not know that I should ask this of this witness, but these subsidies are not paid for the purpose of maintaining maximum prices, are they? They are for the purpose of getting maximum amount of production?

Mr. TAFT. That is correct, yes. It is an incentive plan.

Mr. WOLCOTT. Is there any particular necessity for the language on page 2, line 3, where it says:

For the purpose of maintaining maximum prices established pursuant to provisions of the Emergency Price Control Act.

Mr. TAFT. I am sorry, I am afraid I cannot advise you about that. The only direct concern that we have is the incentive plan. The question of the price levels and the other similar subjects should go to the O. P. A. I am afraid I am not qualified to answer your question.

Mr. WOLCOTT. If it was not necessary to have it in there, I think it

would avoid the Congress having to put its stamp of approval, by legislation, for payment of subsidies for the maintaining of maximum prices instead of the purpose under the act of maintaining maximum production.

Mr. TAFT. I did not know that. Certainly our idea in these incentive payments is to get maximum production. One difficulty is, in this situation, that the scheme for obtaining maximum production in the United States is different from the scheme in foreign countries. By adopting this particular provision, it would certainly prejudice the foreign producers.

Mr. WOLCOTT. As I understand, the necessity for this legislation is predicated upon the so-called Taft amendment of last year which prohibits the payment of subsidies after June 30 this year, unless the Congress makes specific appropriation.

Mr. TAFT. That is correct.

Mr. WOLCOTT. That was necessitated because of the payment of the consumer subsidies on, principally, butter, meat, and flour. The President, as I recall, had added these foodstuffs to his list of strategic materials. We were thinking that strategic materials were in the terms of lead, copper, zinc and other metals. We never had intended that food be put in the list of strategic and critical materials when we passed the act, and we have never had any objection to the payment of any subsidy for buying and selling at a loss for obtaining the maximum amount of production of what we understood to be strategic and critical material. I just wanted to clarify the fact that the committee and the Congress, in the action which has already been taken seems to be somewhat inconsistent with the language of the bill. What I say is, we pay these prices for the purpose of maintaining maximum prices. No law that was ever passed contained the authority for subsidies for the purpose of maintaining maximum prices.

Mr. TAFT. Clearly, the department has no interest in that phase of it at all. We are clearly in favor of payment of subsidies for the obtaining of these critical materials with the procurement of which we have had a good deal of work with the Foreign Economic Administration.

Mr. WOLCOTT. It will not interfere at all with your program if that language is stricken?

Mr. TAFT. This is off the cuff. I do not think so. Certainly that is no part of our intention in connection with this bill, but the exact purpose of that clause, I am frank to say, I do not know. I think the drafters of the act had better indicate it.

Mr. WOLCOTT. Thank you.

The CHAIRMAN. Mr. Brown, do you have any questions?

Mr. BROWN. Mr. Taft, you testified as to the item (E), on page 3 of the bill, as I understand it—copper, lead, and zinc?

Mr. TAFT. Yes, (E), and then the proviso at the bottom of page 3, beginning on line 16 and running for several lines.

Mr. BROWN. Do you object to the time or do you object to the method?

Mr. TAFT. No; we are not objecting to the method. We are objecting to the fixed time of 1 year, irrespective—

Mr. BROWN. What would you suggest? What length of time do you suggest?

Mr. TAFT. From what I know of the procedure of the War Production Board, this is perhaps a year old, but I think they have worked out, with the individual mines, a length of time for the continuance of those procurement contracts which would enable them to get their investment out, and lose no money on it, because they have in many cases put an additional investment into those mines. If they were cut off at too early a period, then it is quite obvious it would be unfair and unjust. So we believe that if the appropriate officials of the War Production Board, in working with each individual miner, got any indication of the approval of that policy from Congress, each individual mine owner could work out a perfectly fair solution of it, on a straightforward businesslike basis and that would be the same basis under which we would propose that the high cost foreign contracts should be dealt with.

Mr. BROWN. I would like to know what length of time you have in mind.

Mr. TAFT. I think it would vary in each case.

Mr. BROWN. You do?

Mr. TAFT. Yes, because it would depend on the circumstances of the mine. My impression is that, before you get down to the big ones, say 17 or 18 cents, they range all the way from 19 up to 27.

Mr. BROWN. What would you put in this bill to carry out your ideas? What language would you use?

Mr. TAFT. I am not prepared to suggest language to you. I feel sure that the War Production Board and the Foreign Economics Administration and ourselves could suggest language if you would like us to do so.

Mr. BROWN. It means we would either have to pass an amendment or strike it out.

Mr. TAFT. We will be glad to get together on it. As a matter of fact, we had not expected the hearing to arise quite so soon. All of us were called down here quite suddenly.

The CHAIRMAN. So were we.

Mr. TAFT. Within a week, or perhaps sooner, within a couple of days, we could work out some appropriate language which would meet our particular views. We would be glad to try it.

Mr. BROWN. Whom do you represent, Mr. Taft?

Mr. TAFT. I represent the Department of State.

Mr. BROWN. The Department of State?

Mr. TAFT. Yes.

Mr. BROWN. That is all.

The CHAIRMAN. Mr. Crawford, do you have any questions?

Mr. CRAWFORD. Mr. Taft, we would like to ask you a few questions. Is the R. F. C., the Metals Reserve Corporation, the Foreign Economic Department, or the State Department interested in this bill?

Mr. TAFT. The State Department is interested to the extent that I have stated here, sir. As to the others, they are here to speak for themselves.

Mr. CRAWFORD. That is what I wanted to find out, if they are here.

Mr. TAFT. They are here.

Mr. CRAWFORD. I want to ask somebody some questions pertaining to this bill, with respect to the activities of the Metals Reserve and

the U. S. Commercial Company, in purchase of metals from American citizens, and strictly foreigners in other parts of the world. You are not prepared to answer those questions, are you?

Mr. TAFT. I cannot answer for those two organizations. I can insofar as the Department has had any responsibility. I am not clear on what is in your mind.

Mr. CRAWFORD. What is in my mind is metals coming out of Bahia, Brazil, where we go to purchase metals through the U. S. Commercial Company, the Foreign Economic Administration, and the State Department; I think they are all tied together for that purpose. Who could answer questions on that?

Mr. TAFT. I think that both the War Production Board and the Foreign Economic Administration, also the R. F. C. could answer them. My impression is that it is stellite, which was cut back; it is one of the constituents of tungsten, which was cut back and the Army requirements have been stepped up recently very considerably. Whether they have to renew those contracts again under those circumstances or not, I do not know. They would have to answer that.

Mr. CRAWFORD. Your activities pertain only to lead, copper, and zinc?

Mr. TAFT. No; that is our only direct interest in this bill. We are supporting the necessity of subsidies for whether it is necessary to procure sufficient amounts of certain strategic materials. What those are exactly, the other gentlemen can answer for you.

Mr. CRAWFORD. In the purchase of those three commodities, do you purchase from American producers as well as foreign producers?

Mr. TAFT. The War Production Board——

Mr. CRAWFORD. Wait a minute. Whom are you speaking for?

Mr. TAFT. I am speaking for the Department of State. When any of these contracts are negotiated in foreign countries, or when the operations continue under them, they frequently affect very closely the foreign policy of the United States and its foreign relations.

Mr. CRAWFORD. That is right.

Mr. TAFT. So that our office is familiar with what is going on. They are called in when it involves negotiations with foreign countries.

Mr. CRAWFORD. Where we purchase metals for war purposes from nationals of other countries—we will say Brazil, to be specific—are you interested in those relations?

Mr. TAFT. Very much so. Those are purchased under directives from the War Production Board ordinarily to the Foreign Economic Administration.

Mr. CRAWFORD. If our Government agencies were to say to the U. S. Commercial Company, or to the Metals Reserve Corporation, to purchase these metals from a national of Brazil, and at the same time purchases these metals from our nationals who are operating in Brazil, at the suggestion of the United States Government in an effort to get the metals up here, have you had any cases referred to you where the Federal Government agencies are paying the foreign citizens a much higher price than they pay the United States citizens?

Mr. TAFT. Yes; there are cases where the low-cost mines are paid, in copper, for instance, 12 cents, and where high-cost mines that may be owned by American citizens or by foreigners, in order to get the production out, may be paid considerably higher than that.

Mr. CRAWFORD. What about in mines where the metal comes out of exactly the same vein, out of the same mine, under the same conditions, all the way through, from start to finish?

Mr. TAFT. I do not know of any such cases. There may be, but you had better ask the F. E. A. representatives about that.

Mr. CRAWFORD. Here is a case right here. Those are not confidential letters, and I think it is one of the rawest cases I have ever seen. I have been working on the thing now for 3 or 4 months, and I am not making very much progress on it. It is a case where the U. S. Commercial Company and the State Department, the Foreign Economic Administration, and the R. F. C., all of them put together, are buying these metals out of a mine, from the Brazilian company, paying around \$19 a ton, and from our American citizen, who comes from my district, they are paying about \$12 a ton. These facts are before the Department; there is nothing confidential in this correspondence. The analyses are here. I do not mind saying it is the R. A. Linton case.

Mr. TAFT. We will be glad to look into it.

Mr. CRAWFORD. We have——

Mr. TAFT. This is the first time I have heard of it.

Mr. CRAWFORD. We have had, passing through that town of Bahia—here is an air-mail letter of this morning, which came in, dated March 12; Mr. Max Rothafel, one of our employees, a very fine fellow, very capable man, who, I understand, has the good will of all of our people. He comes through Bahia, and I understand he is in Washington.

I am sure he has a full knowledge of this case. I understand he cannot report on this unless officially required to do so, and I hope the State Department will use its good agencies in helping me have Mr. Rothafel report the details of this case first-hand; because Mr. Clinton had a talk with him just the other day, and I think if you go into this correspondence, you will find where our official employees admit that this is discrimination against an American citizen and admit that something could be done.

I shall say this for the record: I understand that insofar as the law is concerned, there is no law that would permit or authorize what the Department construes as a grant to remove the discrimination from this case, but maybe there are some other ways in which it could be done. In other words, this party has ore down there ready to ship. Transportation is bad down there, inside Brazil. Transportation is bad from Brazil up here. He could not deliver the materials unless transportation is available. The Government can do that. Every ship down there is requisitioned, so I hope you will make a note of that case and see what can be done about it, and I will ask some of the other witnesses about it.

Mr. TAFT. Yes, sir.

The CHAIRMAN. Are there any further questions?

Mr. FOLGER. I want to ask Mr. Taft one question, Mr. Chairman.

The CHAIRMAN. Mr. Folger.

Mr. FOLGER. On page 3, line 18, Mr. Taft, if you were to strike the words "June 30, 1946," would that——

Mr. TAFT. Again off the cuff, sir, it looks to me as though that would fix it, as far as we are concerned.

Mr. FOLGER. That is all.

The CHAIRMAN. If there are no further questions, you may stand aside, Mr. Taft. We are very glad to have had your testimony on the subject.

Mr. TAFT. Thank you very much, Mr. Chairman.

The CHAIRMAN. Mr. Goodloe.

I want to say that the reason this hearing was called without previous notice is because I received a letter from Judge Patterson, of the War Department, in which he stated that in regard to the purchasing of flour, it was very essential that action should be taken as soon as possible. It does not look to me as though we will have a chance to report the bill today unless we go along much faster than we are. We will go ahead and try it, anyhow.

You may go ahead, Mr. Goodloe.

STATEMENT OF JOHN D. GOODLOE, GENERAL COUNSEL, RECONSTRUCTION FINANCE CORPORATION

Mr. GOODLOE. Mr. Chairman, and members of the committee, in view of the fact that the Senate committee held rather extensive hearings on this bill and in view of the time element, I will be very brief.

The purpose of the bill is to permit the continuance, during the fiscal year ending June 30, 1946, of certain subsidy payments which are now being paid by certain corporations created pursuant to section 5d (3) of the R. F. C. Act, as amended. This legislation is necessary by reason of the last paragraph of section 2 (e) of the Emergency Price Control Act as amended by the Stabilization Act of 1944, commonly known as the Taft amendment.

The bill, as originally introduced in the Senate, was designed to permit the continuation of some, but not all, of these subsidies after June 30, 1945. The Senate committee, after hearing testimony from representatives of O. P. A., Office of Economic Stabilization, R. F. C., and F. E. A., decided, and very properly, we think, to broaden the scope of the legislation so that it would embrace all of the activities of the corporations created or operations authorized to be performed pursuant to section 5d (3) of the R. F. C. Act, as amended, which that committee considered affected by the last paragraph of section 2 (e) of the Emergency Price Control Act, as amended.

The bill, therefore, is quite similar in this regard to S. 298, which has already passed the Senate with reference to the operations of the Commodity Credit Corporation, for the period ending June 30, 1946. The bill authorizes the making, after June 30, 1945, of such subsidy payments or purchases as may be necessary to fulfill obligations incurred prior to July 1, 1945, with respect to 1945 and the prior fiscal year activities. As to payments and purchases made with respect to operations for the fiscal year ending June 30, 1946, which involved subsidy payments, and anticipated losses, limitations have been imposed in amounts approved by the Senate committee and subsequently by the Senate itself.

With respect to operations involving purchases on which losses are anticipated, as distinguished from direct subsidy payments, attention is called to the fact that the limitations imposed relate to losses anticipated at the time, rather than actual losses which may result upon the ultimate resale of the materials.

The Senate committee was convinced that this was the only practical approach to the problem of providing a dollar limitation as to losses with respect to purchase and sale programs on a fiscal year basis. The provisions which have been included in this regard mean that as to such purchases and sales, made with respect to operations for the fiscal year ending June 30, 1946, each of the corporations must estimate, at the time of authorizing such payments and purchases, the amount of loss likely to result therefrom. The aggregate of all such estimated losses must not exceed the dollar limitation imposed by the bill.

Item No. (1) under subparagraph (b) places the dollar limitation of \$80,000,000 as to subsidy payments and anticipated losses with respect to materials or commodities other than rubber and rubber products produced outside the United States. That relates primarily to the operations of the Foreign Economic Administration through the U. S. Commercial Company.

Item No. (2) provides a similar dollar limitation during the fiscal year 1946, of \$60,000,000, with respect to rubber and rubber products, produced outside the United States. That relates to the operations of the Rubber Development Corporation, and Rubber Reserve Company.

Item No. (3), under subparagraph (b), is broken down to show separately the major subsidy programs handled by the R. F. C. through certain of its subsidiary corporations.

The first item shown is a limitation of \$560,000,000, for meat subsidy payments during the fiscal year 1946.

The second, \$100,000,000 for butter.

The third, \$190,000,000 for flour.

The fourth, \$290,000,000 for petroleum and petroleum products.

The fifth, \$88,000,000 for an extension of the copper, lead, and zinc premium price plan.

The sixth, is a miscellaneous item, including other commodities and materials, with the dollar limit of \$100,000,000. A full explanation of each of those items is printed in exhibit C to the hearings before the Senate Banking and Currency Committee.

Mr. WOLCOTT. Are you putting those in the record?

Mr. GOODLOE. Just as the committee wishes. Would you like to have them included as a part of the appendix in these hearings?

The CHAIRMAN. Do you want the Senate hearings incorporated in your hearing?

Mr. GOODLOE. Not in full, I would not think so.

The CHAIRMAN. On this particular point.

Mr. MONRONEY. I think what Mr. Wolcott wants is this particular exhibit.

The CHAIRMAN. I do not think it would be necessary to incorporate the whole hearings.

Mr. WOLCOTT. No; just this exhibit C.

Mr. GOODLOE. I will put that in.

The CHAIRMAN. Very well. I do not think that would be improper.

Mr. CRAWFORD. Mr. Chairman, I have a copy of exhibit C here from the Senate hearing which I will be glad to submit.

The CHAIRMAN. Without objection, it may be printed in the appendix.

Mr. GOODLOE. In conclusion, of the total over-all limitation of \$1,468,000,000 that the bill now provides with respect to subsidy payments and anticipated losses on purchases in regard to operations for the fiscal year ending June 30, 1946, it should be pointed out that a substantial amount, probably as much as \$500,000,000, is accounted for by payments made on the substantial portion of meat, butter, flour, and other commodities and materials that is used directly by the Government itself. Thus, you might regard the net figure as somewhere in the neighborhood of \$900,000,000.

The total cost of operations for the purpose of maintaining maximum prices established pursuant to the provisions of the Emergency Price Control Act of 1942, as amended, with respect to civilian consumption, including the approximately \$845,000,000 already proposed for the Commodity Credit Corporation, will be somewhat less than the figure of \$2,000,000,000 which has been often mentioned as the maximum annual cost of subsidy payments and purchases for the purpose of selling at a loss in maintaining the so-called hold-the-line program.

The Senate committee, at the conclusion of the hearings, added the proviso with reference to the mandatory extension, without change, of the premium price plan for copper, lead, and zinc. As I understand it, the representatives of the War Production Board, and the Office of Price Administration are here, and since that program was undertaken by the Metals Reserve Company on the joint recommendation of those two agencies, I will leave the discussion of that matter to those gentlemen.

On the floor, the Senate added, by way of committee amendment, a further proviso to the effect that the Metals Reserve Company should buy, at its 1944 price schedule, from those underground bauxite mines that delivered bauxite to Metals Reserve during 1944, such quantities of bauxite as the Bureau of Mines determined should be removed from the mines by June 30, 1946, if it was not to be permanently lost, but not to exceed, in the aggregate, 500,000 long tons.

Again, I understand the War Production Board and the Bureau of Mines have representatives here to discuss that and I would like to leave that to them.

But, before concluding, I want to call attention to one matter with respect to that later amendment.

The bauxite purchased by Metals Reserve, like most purchases of critical and strategic materials, has been against a stock-pile objective recommended by the War Production Board or the other appropriate agency having responsibility for that phase of war procurement.

In the case of bauxite, the stock-pile objective was approximately 2,000,000 tons. At the present time, the stock pile of bauxite, accumulated by Metals Reserve, approximates 3,000,000 tons. As a result of that, last fall, on the recommendation of the War Production Board, some of the Metals Reserve purchase contracts for the bauxite were terminated. One of those contracts was terminated at a time when a substantial portion of the advance made against the purchase price of the bauxite subsequently to be delivered had not been liquidated by deliverers. Thus, there was a forfeiture by Metals Reserve of \$398,072.15, in connection with the termination of that particular contract. I think we would like to have a provision included so that

if there has to be a continuance of purchases by Metals Reserve, of bauxite, that we have a right to apply, against the purchase price of any new bauxite to be delivered, the balance of whatever may be due under any advance that may have been made to the seller under an earlier contract, even though the contract has been terminated.

In brief I have given the main features of the bill.

Mr. MONRONEY. You have the provision on that subparagraph (D) under (3) on petroleum and petroleum products, do you? How much of that is freight on petroleum to the east coast, and how much of it is subsidy on stripper well production?

Mr. GOODLOE. I have that here. The \$290,000,000 figure is broken down as follows:

For the extraordinary transportation costs under petroleum compensatory regulation No. 1, that is for the movement into district 1, the Atlantic seaboard, \$150,000,000.

For extraordinary transportation costs again, under petroleum compensatory regulation No. 5, which has to do with the movement of oil from Wyoming points in district four to destinations recommended by P. A. W. in district 2, \$20,000,000.

Stripper well subsidy program, \$75,000,000.

The last item is for the movement of crude oil from west Texas to California, an estimate of \$45,000,000.

Mr. MONRONEY. That is, \$215,000,000 is transportation subsidy and \$75,000,000 stripper well production subsidy; is that right?

Mr. GOODLOE. That is correct.

Mr. MONRONEY. Thank you.

Mr. GOODLOE. In connection with the last item I mentioned, that is, the movement of crude oil from west Texas to California, that program, as the stripper well program, as you know started late in 1944 and is occasioned almost entirely by the large requirements of the Army and Navy in the Pacific. That item is almost 100 percent direct war cost.

Mr. MONRONEY. I mean, all three of those are movements of oil and transportation subsidies? The \$215,000,000 is strictly a transportation subsidy and the \$75,000,000 is a stripper well production subsidy?

Mr. GOODLOE. That is correct, sir.

Mr. MONRONEY. That is what I wanted to know. Thank you.

Mr. WOLCOTT. Mr. Chairman, I do not know how far you want us to go into this matter today. It seems to me that there are quite a number of important questions involved in this bill.

The CHAIRMAN. I was hopeful that we might report the bill today. If we cannot report it today, it will have to go over until after the recess.

Mr. CRAWFORD. Mr. Chairman, may I ask a question on this subsidy bill? Is the urgency of the bill involved in the future contracts of the flour millers?

The CHAIRMAN. Yes.

Mr. CRAWFORD. That is the urgent portion of the bill.

The CHAIRMAN. Yes; as I stated previously, I got a letter from Judge Patterson on that point, stating that it was urgent.

Mr. PATMAN. Did the Senate pass the bill unanimously?

The CHAIRMAN. I do not know.

Mr. CRAWFORD. Do you know about that?

Mr. GOODLOE. I do not recall. My impression is that there was not a roll-call vote in the Senate.

Mr. CRAWFORD. As I understand it, these millers have booked their capacity to June 30, 1945, on future contracts; is that correct?

Mr. GOODLOE. Mr. Chairman, at the conclusion of my testimony, I would like to insert in the record Judge Vinson's letter to you of March 21 and in answer to Congressman Crawford's question, I would like to read one paragraph of that letter.

The CHAIRMAN. Read the letter from Judge Patterson, Under Secretary of War.

Mr. GOODLOE. May I first read the paragraph of Judge Vinson's letter?

The CHAIRMAN. Yes.

Mr. GOODLOE (reading):

An immediate problem has arisen in connection with the flour subsidy being paid by Reconstruction Finance Corporation through its subsidiary, Defense Supplies Corporation, which makes it desirable for consideration of S. 502 to be expedited in order to permit millers to continue their usual practice of making forward sales of flour. The flour subsidy was set up on a basis which entitles a substantial number of millers to collect subsidy payments for varying periods up to 120 days after the termination of the program. Since the termination of the program at this time appeared unwise, Defense Supplies Corporation instead recently notified the millers that payments of the subsidy on the forward sales of flour ground after June 30, 1945, could be made only from such funds as may hereafter be made available by the Congress for this purpose. Thus, those millers which have made forward sales of flour approximating their grinding capacity up to June 30, 1945, are confronted with an immediate problem as to the booking of any additional business.

Judge Patterson, Under Secretary of War, has addressed a letter to the chairman of the committee, dated March 24, relating to the urgency of the flour situation from the standpoint of the War Department. With your permission, I will read that letter also.

(The letter which Mr. Goodloe read appears in the appendix.)

The CHAIRMAN. I may say that is the reason we have called this session without very long notice. It seemed to me that there was an urgent need for this legislation. I understand it passed the Senate without opposition, and I am hopeful that we can report it out of this committee at the earliest possible date.

Mr. WOLCOTT. Mr. Chairman, I do not see any particular reason why we should not pass the flour provision, and take our time on the rest of this, delete all but the flour provision, if we see fit to enact this 502.

I would just like to go into, for a moment, the controversial features of this bill. As I understand it, the bill itself is controversial.

On page 2, we would like to find out what those commitments are. The domestic rubber producers have talked to many of us about the domestic rubber program, which is not included in this bill. There are a good many questions with respect to meat. A case came to my attention the other day where a man in my home town, that slaughters a third of the meat that is consumed in the town of 40,000 population, is slaughtering his on the basis for which he was paid subsidies in 1944, and the poor man did not know that he had any subsidy coming to him in March 1944, and did not collect any subsidies for the whole year.

He went into the red about \$2,700, when as a matter of fact, he had \$12,000 or \$14,000 of subsidies coming to him that he knew nothing about. It looks to me as if we would have to do something or other,

if a man wants to be magnanimous enough to omit his subsidies from the Government, there should be some provision for doing so without putting him out of business.

Then Mr. Holan, of the milk producers, has seen all of us, I believe, with respect to the butter subsidies. They have what they consider very important amendments, and they refrained from bringing them up when the Commodity Credit Corporation was before us because they said, "We do not want to interfere with this program, and we will take care of our objections when the O. P. A. bill comes up," and of course this is the O. P. A. bill. We are doing the same for this bill as we did in the commodity bill which was passed. This whole question of butter subsidies has to be considered.

Mr. Monroney brings up the petroleum situation. We have touched on the flour situation, and copper, we will have to take that into consideration. We ought to have some information with respect to which you are going to use this other hundred million dollars for, which is thrown in as a catch-all. We certainly say it is not our intention to allow the expansion of the subsidy program on butter, meat, and flour. As far as I am concerned, I do not know enough about it.

Mr. BROWN. Would the gentleman yield?

Miss SUMNER. I did not think it would come up when I personally could deal with it, but there was a man in my office from the flour people who said they were not able to operate because the O. P. A. differentiates between soft wheat and hard wheat.

Mr. WOLCOTT. What I said was more or less contingent upon that being reasonably satisfactory to those people.

Now, Congressman Purell has talked to me about this, Congressman Andresen has talked to me about it. I assume that we should get them in here and find out what their case is, and I do not know but what this takes care of it. I think it does.

Miss SUMNER. Not necessarily. I understand the reason they are having these losses is because men who ordinarily could come up on a farm in any part of the country, say, to get this wheat, cannot do it and now they have to go out to Kansas to get this other kind of wheat on account of the differentiation over in O. P. A.

Otherwise, he loses money, so he does not produce. In that case, it looks to me like one of the reasons this subsidy comes in here. I am giving you a very vague description of his position, but I do not know which would be the only one.

Mr. MONRONEY. But what you say that applies here on flour applies all the way down. You cannot produce beef tomorrow.

The CHAIRMAN. What is your opinion about this suggestion, Mr. Goodloe?

Mr. WOLCOTT. You do not deal in futures in meat, do you, or copper or anything else? The only thing you are dealing with in futures is flour.

Mr. MONRONEY. But these men that are getting cattle ready for the market, if they do not know whether they are going to get a cut on subsidies or not, what will they do?

Mr. WOLCOTT. I am merely offering a way out because otherwise it seems impossible to get the bill passed before Wednesday night.

Mr. GAMBLE. I do not think you could get consent to take the bill up with the \$560,000,000 subsidy on meat with all the hubbub there

is on meat and the investigation that is going on in both the House and Senate on food. You would be butting against a stone wall on that.

Mr. MONRONEY. I think your only hope of getting meat is to get this appropriation passed, so that it will be there.

Mr. WOLCOTT. The House expects to recess Wednesday night. If you reported out this bill today, you would get your rule for consideration tomorrow. You know what is going to happen on that floor tomorrow if we have to go on the floor and say we are sorry we did not have any hearings on this; we cannot explain anything about wheat or any of these other things. You can go to the Senate hearings and look at the Senate hearings, and they will say, "Who are the Senate? Are we not operating as an independent entity of the Congress? What are you fellows going to do about it. If you fellows in Banking and Currency are so busy that you cannot give consideration to this bill, let us refer the bill to the Agriculture Committee."

Mr. PATMAN. I would like to have Mr. Goodloe answer the chairman's question. I think Mr. Wolcott is exactly right. There is no chance of getting this bill through before the recess without unanimous consent, and the flour part, I believe, could go through by unanimous consent and I just wonder if you would answer the chairman's question as to what you think about that?

Mr. GOODLOE. I believe flour is the only item that is right up against the gun, but on the others generally, I think I ought to say this: This legislation is necessary not only to continue, after June 30, your direct out-of-pocket subsidy payments, but to continue indeed all purchase and sale programs, where there is a substantial estimated loss. Those programs are all undertaken at the request of the War Production Board, or the other appropriate agency of the Government having responsibility for that particular phase of war production, and we are getting requests almost daily from those agencies, many of them recommending purchases extending beyond June 30, 1945.

Mr. PATMAN. But Mr. Goodloe, if the committee believes that it is impossible to get it all through, do you think we ought to separate it and put the flour part through?

Mr. GOODLOE. I would like a moment to discuss the suggestion with some of my associates.

The CHAIRMAN. I think we will have to set this for hearing shortly after the recess.

Mr. BROWN. Can we deal with the flour part of it now?

Mr. GOODLOE. Mr. Chairman, before undertaking to answer your question as to whether it would be desirable to split the flour off separately, I have conferred with Mr. Field, general counsel for O. P. A., and I would like to have him comment on the problem with which we are confronted in that connection.

The CHAIRMAN. Mr. Field.

STATEMENT OF RICHARD H. FIELD, GENERAL COUNSEL, OFFICE OF PRICE ADMINISTRATION

Mr. FIELD. I think, Mr. Chairman, that we will be in very serious trouble—the War Department will be in very serious trouble, that is—if a solution of the flour situation is not had before the Congress

is back from the recess. I should say that unless there, within actually a week, 10 days, or possibly 2 weeks, that the Army would feel that it was very definitely handicapped. Therefore, if the committee feels that the legislation as a whole is impossible of enactment at this time, before the recess, I think that the Office of Price Administration, and I believe the Army, although I have no authorization to speak for them, would feel that it was essential that the flour part of it be handled and handled separately, if that is necessary.

With reference to what Mr. Monroney said, of course, it is true that the situation with the other commodities, although less urgent than the flour, is urgent, and the Office of Price Administration would certainly hope that the promptest possible consideration of the whole measure would be had.

Mr. CRAWFORD. Then you gentlemen are agreed that it would be quite all right, as far as you are concerned, to separate this and go ahead with the flour? Is that right?

Mr. FIELD. That is right, as I said; yes.

Mr. CRAWFORD. If that is the only thing we can do.

Mr. FIELD. If that is the only way the flour situation can be handled before the recess.

Mr. PATMAN. If we can get through by unanimous consent. Of course, we put ourselves in a position where any one Member would have a lot of power on this—in other words, if he will not agree.

The CHAIRMAN. If we get it through by unanimous consent.

Mr. PATMAN. I am agreed to it only if it goes through as this committee reports it. I am not agreeing to an amendment.

Mr. BROWN. The chairman has also stated that he will take up this as soon as we get back.

The CHAIRMAN. Oh, yes; we have to take this up. But there is this contingency that might arise, the Members who have interest in other subsidies may want them all taken up together. I do not know what the result will be; but you may find that.

Mr. MONRONEY. If we take this up, we are not going to let non-members of the committee amend this just to get it through, are we? Because, as Mr. Patman said, that would give anybody an extraordinary amount of power to feather the nest of any faction that has a problem.

Mr. PATMAN. Do you ask unanimous consent, Mr. Chairman? If we report it out with the understanding that it not be changed, we might be able to get it through without unanimous consent.

Miss SUMNER. Are you going to fix it so that the hard and soft wheat get the same consideration?

Mr. FIELD. I do not understand the question as you put it, Miss Sumner. Mr. Heflebauer may be able to speak on that.

Mr. GAMBLE. Is that matter of hard and soft wheat a matter of regulation or what?

The CHAIRMAN. Is there an objection?

Mr. SMITH. Mr. Chairman.

The CHAIRMAN. Dr. Smith.

Mr. SMITH. I just want to ask a question on that. Who has to do with the procurement of beryllium copper? Is there anyone here who has anything to do with that?

Mr. FIELD. Procurement of what?

Mr. SMITH. Beryllium copper. Is the War Production Board represented here?

Mr. FIELD. Yes.

Mr. SMITH. Can you tell me anything about the supply of beryllium copper, whether it may be adequate or not?

Mr. DOUGLAS. According to our present supply of beryllium copper, it is adequate?

Mr. SMITH. Thank you.

The CHAIRMAN. Is there objection to reporting the bill out?

Mr. GAMBLE. What is going to be in the bill?

The CHAIRMAN. I presume only referring to the subsidy on the flour.

Mr. GAMBLE. Yes, Mr. Wolcott has an objection to reporting out page 2, lines 3, 4, and 5.

Mr. WOLCOTT. I think we can agree to make this read—

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That without regard to the provisions of the second paragraph of section 2 (e) of the Emergency Price Control Act of 1942, as amended, and supplemented, subsidy payments and purchases for resale at a loss may be made by the Defense Supplies Corporation during the fiscal year ending June 30, 1946, with respect to flour produced within the United States, in an amount not to exceed \$190,000,000.

The CHAIRMAN. That is all right, I believe. It is your advice that you want to wipe out, for this purpose, during the fiscal year ending June 30, 1946, the limitation of the second paragraph, section 2 (e), of the Price Control Act, and at the same time, impose this limitation of \$190,000,000 in the case of subsidy and loss operations, in the case of flour domestically produced during that fiscal year? Is that about it?

Mr. WOLCOTT. What I had in mind was a very simple bill providing that the Taft amendment would not apply for flour operations in the amount of \$190,000,000.

The CHAIRMAN. That is a clear purpose. Wording can be gotten up to make that clear. Is there an objection to reporting the bill?

Mr. FOLGER. Mr. Chairman, Miss Sumner has brought up a matter there that I seem to be somewhat in agreement with. I believe that would properly come under the O. P. A. regulations. I think they adopted some regulations to pay a certain amount on hard wheat and a different amount on soft wheat. Maybe that runs in periods of 3 months. Sometimes they pay as much on one or the other, and sometimes it changes. I believe that comes under the O. P. A. regulations.

Mr. GAMBLE. We can take it up during the hearings on the extension, Mr. Folger.

Mr. FOLGER. Yes.

Miss SUMNER. You will never get it in the bill if you do not get it here, I think.

Mr. BARNES (vice president, Defense Supplies Corporation). Under the subsidy program, at the present time, we are paying the same subsidy rate on hard, soft, and Durum wheat ground east of the Rocky Mountains except for Pacific coast wheat which is ground east of the Rocky Mountains, on which we pay same rate as the Pacific coast rate. They are substantially the same—the Pacific

coast rate and the rates east of the Rocky Mountains are substantially the same as the present time. I believe 27 cents east of the Rockies is applied, and 26½ for the Pacific coast.

Mr. GAMBLE. Then what is the reason for the difficulty?

Mr. BARNES. I do not know, sir.

Mr. FOLGER. Mr. Chairman, I think they do not always do that. They will run 2 or 3 months and operate that way, and then make a change. That is how it was represented to me. I do not know.

The CHAIRMAN. Let Mr. Wolcott read the bill as drawn.

Mr. WOLCOTT (reading).

That without regard to the provisions of the second paragraph of section 2 (e) of the Emergency Price Control Act of 1942, as amended and supplemented, subsidy payments and purchases for resale at a loss may be made by the Defense Supplies Corporation during the fiscal year ending June 30, 1946, with respect to flour produced within the United States, in an amount not to exceed \$190,000,000.

The CHAIRMAN. Without objection, that will be reported.

Mr. WOLCOTT. Then we can explain that this does not close consideration as to any new formula under which this money will be spent. We can take it up when we take up the extension of the Price Control Act.

Mr. PATMAN. Since it has been agreed upon, Mr. Chairman, of course, the chairman understands my attitude. I agreed with the understanding that the chairman will not agree to accept any amendments. Either put it through this way or——

The CHAIRMAN. That is understood. As is or we will not agree to it. Without objection the Chair will be authorized to take such steps to bring it before the House.

We will meet tomorrow on Mr. Patman's bill, the extension of the Smaller War Plants Corporation.

(Thereupon, at 12:15 p. m., the committee adjourned.)

APPENDIX

FEDERAL LOAN AGENCY,
Washington, D. C., March 21, 1945.

HON. BRENT SPENCE,
*Chairman, Banking and Currency Committee,
House of Representatives, Washington, D. C.*

DEAR MR. CHAIRMAN: There has been referred to your committee for consideration, I am advised, the bill S. 502, as passed by the Senate with amendments on March 15, 1945, which will permit the continuation after June 30, 1945, of certain subsidy payments.

An immediate problem has arisen in connection with the flour subsidy being paid by the Reconstruction Finance Corporation through its subsidiary, Defense Supplies Corporation, which makes it desirable for consideration of S. 502 to be expedited in order to permit millers to continue their usual practice of making forward sales of flour. The flour subsidy was set up on a basis which entitles a substantial number of millers to collect subsidy payments for varying periods up to 120 days after the termination of the program. Since the termination of the program at this time appeared unwise, Defense Supplies Corporation instead recently notified the millers that payments of the subsidy on the forward sales of flour ground after June 30, 1945, could be made only from such funds as may hereafter be made available by the Congress for this purpose. Thus, those millers which have made forward sales of flour approximating their grinding capacity up to June 30, 1945, are confronted with an immediate problem as to the booking of any additional business.

A full explanation of the operations of the Reconstruction Finance Corporation and the Foreign Economic Administration affected is contained in the hearings before the Senate Banking and Currency Committee on S. 502. We believe that the amounts provided by the Senate Committee were fully justified by representatives of Reconstruction Finance Corporation, the Foreign Economic Administration, the Office of Price Administration, and the Office of Economic Stabilization who appeared before the Senate committee.

It occurs to me, therefore, that your committee may wish to confine its hearing on S. 502 largely to the amendment added by the Senate committee after its hearings were completed regarding an extension of the copper, lead, and zinc premium price plan without change until June 30, 1946, and the further amendment added on the floor of the Senate with reference to the continued purchase by Metals Reserve Company of bauxite from underground mines on the recommendation of the Bureau of Mines of the Department of the Interior.

Since the copper, lead, and zinc premium price plan was undertaken by Metals Reserve Company on a joint recommendation of the War Production Board and the Office of Price Administration, your committee may wish to hear representatives of those agencies on that amendment. On the bauxite amendment your committee may wish to hear representatives of the War Production Board and the Department of the Interior. Needless to say, representatives of the Reconstruction Finance Corporation will be prepared to furnish any additional information your committee may desire with regard to its operations as they may be affected by the bill, as is the case, we are sure, with respect to representatives of the Foreign Economic Administration.

Sincerely yours,

FRED M. VINSON, *Administrator.*

WAR DEPARTMENT,
Washington, D. C., March 24, 1945.

HON. BRENT SPENCE,
*Chairman, Committee on Banking and Currency,
House of Representatives.*

DEAR MR. SPENCE: There is now pending before your committee legislation to extend commodity subsidies, including subsidies on flour, which has already passed

the Senate. I am writing to request early consideration of this legislation by your committee.

Several procuring agencies of the War Department are under the necessity of promptly placing contracts for certain of the commodities dealt with in the bill. An outstanding example is the procurement of flour by the War Department, which heretofore has been facilitated through the payment of a direct subsidy to the flour producers by Defense Supplies Corporation, a subsidiary of Reconstruction Finance Corporation. These subsidy payments will become illegal after June 30, 1945, in the absence of legislation such as is now pending before your committee. While the War Department is not intrinsically concerned with whether its procurement is made possible by subsidy payments, it is vitally interested in maintaining a situation that will make the flour continuously available in the quantities needed by the Army.

In view of the fact that contracts must be placed in advance for flour to be ground after June 30, 1945, the War Department is desirous that the bill be enacted as speedily as possible. Anything you can do to expedite the favorable consideration of this measure by your committee will be much appreciated.

The War Department has not been advised of the relation to the program of the President of any particular bill pending before your committee.

Sincerely yours,

ROBERT P. PATTERSON,
Acting Secretary of War.

EXPLANATORY STATEMENT OF JOHN D. GOODLOE, GENERAL COUNSEL,
RECONSTRUCTION FINANCE CORPORATION

MEAT

The meat subsidy started June 7, 1943, to make it possible for the Office of Price Administration to roll back the prices of dressed meat. Payments are made to slaughterers who slaughtered more than 2,500 pounds a month, on live weight of the animals. The original rates were \$1.10 per hundredweight on cattle and calves, 95 cents on sheep and lambs; \$1.20 on hogs and pigs. No changes in the rates have been made to affect payments on hogs, sheep, or calves.

The subsidy was changed on cattle by a directive of the Office of Economic Stabilization October 26, 1943, which set up the so-called cattle stabilization plan. Under this plan payments were made on cattle according to the grade: AA, \$1 per hundredweight; A, \$1.45 per hundredweight; B, 90 cents per hundredweight; C, cutter and canner and bologna bulls, 50 cents per hundredweight.

The cattle stabilization program involved also price compliance with a so-called floor and ceiling on livestock which consisted of prices by zones certified to Defense Supplies Corporation by the Office of Price Administration and the War Food Administration. Every slaughterer who slaughtered more than 25,000 pounds of cattle per month was required to report his cost of cattle. The amount that this cost of cattle exceeded his maximum permissible payment or was below his minimum permissible payment, was deducted from the amount of his claim.

Under the directive of January 19, 1945, of the Office of Economic Stabilization the rates on cattle were changed to \$2 on AA, \$1.95 on A. On the lower grades the rates remained the same. The price compliance provisions as to livestock stayed the same in essentials, although the livestock prices on AA and A were increased. Since the directive, the minimum slaughter which requires an applicant to report his cost of cattle was raised from 25,000 pounds to 50,000 pounds including both cattle and calves. Under the directive of the Office of Economic Stabilization of January 30, 1945, subsidy payments on cattle, calves, and hogs are limited to a certain percentage of the amount of slaughter for which applicant filed a claim for subsidy in the corresponding month in 1944 if the slaughter is not performed in a federally inspected establishment. The War Food Administration provides the percentages which may change from time to time. At the present time, they are 100 percent on cattle and calves and 50 percent on hogs.

There is also an extra compensation program in connection with the cattle-stabilization program. This provides for payments of 80 cents per hundredweight on cattle to nonprocessing unaffiliated slaughterers who sold in 1942 and who currently sell 98 percent or more of the beef produced from their cattle slaughter in the form of carcasses, wholesale cuts, boneless beef, and ground beef.

On recent reduced volume of meat production subsidy payments are averaging about \$37,000,000 a month; during previous months the average was nearer \$40,000,000, or \$480,000,000 a year. The hog crop in 1945-46 will undoubtedly

be very large as a consequence of the current very high hog prices. If the crop is up to expectation, \$60,000,000 extra will be needed for the increased hog payments.

The subsidy rates on cattle have recently been increased, with an expected increase in cattle payments of about \$59,000,000 a year. If the present rates remain unchanged and present estimates of slaughter volume are correct, the cost of the meat subsidy would be about \$560,000,000 in the fiscal year 1946.

BUTTER

Subsidy payments are made to operators of plants manufacturing dairy products on the amount of the butter produced each month to compensate them for a reduction in butter prices under Office of Price Administration regulations. Payments are made at the rate of 5 cents per pound both on ordinary butter and process butter.

This program was effective June 1, 1943, and has continued in effect without change from the beginning of the program.

The payments on butter during the first 18 months averaged \$6,500,000 a month. If butter production is at the same volume during the fiscal year 1945-46, the cost of the subsidy would be \$78,000,000. Butter production has been very low in 1944 and 1945, and is expected to continue low through 1945. It may well, however, recover in the first half of 1946 even if the war still continues, if War Food Administration's current attempt to encourage production are successful. Normal production during the first half of 1946 would increase the cost of the subsidy by \$6,000,000 for the year.

The original estimate of the Office of Price Administration of the cost of the butter subsidy for a fiscal year was \$100,000,000, on the basis of normal production. For the calendar year 1945, butter production is now expected to be no more than 1½ billion pounds, indicating a subsidy of \$75,000,000; this, of course, is minimum expectation and is the amount that is actually allocated in advance for consumption.

The minimum we could safely estimate for the fiscal year 1946 this far in advance, on the assumption neither part of the war will end before December 1945, would be \$90,000,000 for butter; \$100,000,000 would undoubtedly be sufficient for all contingencies, including early end of the war.

FLOUR

The flour subsidy started December 1, 1943. The payments made to mills on the wheat ground into flour compensate them for the difference between market prices for wheat and the wheat cost on which the Office of Price Administration flour ceilings are based. The rates of payment vary monthly with the wheat market. While payments are on production, the applicable month's rate is determined for large mills by the date the flour was sold. Small mills are entitled to payment at the rates in effect during the month of grind to enable them to avoid bookkeeping problems.

Because of the use of flour sales to determine which month's rate is applicable, deductions were made at the beginning of the program on sales made before December 1, 1943. Sales of flour are the almost exact equivalent of the wheat which has been purchased by the mill. Consequently, no payments were made on wheat purchased before the program began. On termination of the program, we will pay on wheat purchased during the subsidy period by payments on flour sold in an amount not greater than the deduction at the beginning of the program provided the wheat was ground within 120 days after termination.

The production of flour is estimated to continue at about present high levels and the wheat crop is expected to be large enough to take care of full demand. For a flour production of 265,000,000 hundredweights (a little below the calendar year 1944) about 622,000,000 bushels of wheat would be used. The subsidy rate varies with the wheat market, and if wheat stays at full ceilings with parity unchanged, would average about 30 cents a bushel. The maximum cost of the subsidy for the fiscal year 1946 would be \$190,000,000 on these assumptions. If the price of wheat is not at full ceilings, but as present levels, the cost would be about \$162,000,000.

In the calendar year 1944, payments averaged about \$8,600,000 a month. During that year wheat ceilings were 4 cents lower than at present and the bumper wheat crop forced wheat prices well below ceilings with the subsidy rates correspondingly lower. Rates varied from 0 to 18 cents on soft wheat and from 11 to 25 cents on hard wheat.

The minimum cost we could properly estimate to safeguard the industry would be \$162,000,000 for flour for the fiscal year 1946, if there is no change in parity. \$190,000,000 should be sufficient to keep wheat at ceiling prices if there is no change in parity.

PETROLEUM AND PETROLEUM PRODUCTS

It is estimated that \$290,000,000 will be required for the fiscal year ending June 30, 1946, as follows:

Petroleum Compensatory Adjustments Regulation No. 1.—Under this program oil companies are compensated for the extra costs involved in transporting petroleum and petroleum products from Petroleum Administration for War district No. 2 and Petroleum Administration for War district No. 3 into Petroleum Administration for War district No. 1 by tank car, pipe line, or other substitute methods of transportation as compared with normal transportation by tanker. The purpose of the program is to maintain a steady and adequate flow of petroleum and petroleum products into the Atlantic coast area and to maintain existing price structures.

The program was initiated on August 1, 1942, and was recommended by the Petroleum Administration for War, the Office of Price Administration, the War Department, the Navy Department, and the Office of Defense Transportation. It is difficult to estimate the amount of payments which may be made by the Corporation in connection with the programs during any period inasmuch as, in many instance, payments by the Corporation under the program are netted against revenues received by claimants as a result of specific increases in ceiling prices of certain petroleum products which were authorized by the Office of Price Administration for the purpose of providing compensation for the higher transportation costs involved in shipping petroleum and petroleum products over land to points in Petroleum Administration for War district No. 1 as compared with shipments by ocean-going tankers. In this connection it is estimated that the net loss under the program during the fiscal year ending June 31, 1946, will be in the amount of approximately \$150,000,000.

Petroleum Compensatory Adjustments Regulation No. 5.—Under this program refiners are compensated for extra transportation costs involved in shipping crude oil by tank cars or barges from points in Petroleum Administration for War district No. 3 and certain Wyoming points in Petroleum Administration for War district No. 4 to destinations in Petroleum Administration for War district No. 2. Under the program shipments by pipe lines are considered to be the normal means of transportation between the points involved and the extra transportation costs payable by Defense Supplies Corporation are the costs of shipments by tank car or barge in excess of the cost of normal pipe-line shipments. The purpose of the program is to provide Petroleum Administration for War district No. 2 refiners with an adequate supply of crude oil to maintain maximum production for war and essential civilian uses.

The program was initiated on December 1, 1943, and was sponsored by the Office of Price Administration, the Petroleum Administration for War and the Office of Defense Transportation.

It is estimated that Defense Supplies Corporation will make payments under the program during the fiscal year ending June 30, 1946, in the amount of approximately \$20,000,000.

Stripper-well compensatory adjustments program.—The program is designed to maintain and possibly increase the national production of crude oil. The Office of Price Administration, by increasing the maximum prices of crude produced from fields averaging less than nine barrels daily, per well, makes it economically practical for producers to continue the recovery of crude, to undertake clean-outs and repairs and delay abandonment of old wells. By making premium payments to the first purchasers of crude, the maximum prices for which have been increased, and to the producers of such crude, which is not sold but which is otherwise utilized by the producers, Defense Supplies Corporation maintains the national market price on crude.

The program was initiated in August 1944 and was sponsored by the Office of Economic Stabilization, the Office of Price Administration, and the Petroleum Administration for War.

It is estimated that the payments by Defense Supplies Corporation under the program during the fiscal year ending June 30, 1946, will be approximately \$75,000,000.

Movement of crude from west Texas to California.—Under this program Defense Supplies Corporation pays to purchasers certain excess charges involved in the

movement of crude petroleum from west Texas to California over and above the laid-down cost in California of comparable crude petroleum.

The program was initiated in December 1944, and at that time it was contemplated that Defense Supplies Corporation would enter into 5 or 6 contracts thereunder under which it was estimated that a maximum of 20,000 barrels of crude petroleum per day would be purchased and shipped. In this connection, however, the Petroleum Administration for War is currently considering recommending to the Corporation that the daily purchases and shipments be increased to 50,000 barrels per day. At this rate, it is estimated that Defense Supplies Corporation will disburse approximately \$45,000,000 under the program during the fiscal year ending June 30, 1946.

PREMIUM PRICE PLAN FOR COPPER, LEAD, AND ZINC

On January 12, 1942, the Federal Loan Administrator announced that, at the request of the Office of Production Management and the Office of Price Administration, Metals Reserve Company would stimulate the production of domestic copper, lead, and zinc through paying a higher price for those metals for production in excess of 1941 output, terms of the plan to be announced later. As made effective February 1, 1942, for a period of not to exceed 30 months from that date, the premium price plan for copper, lead, and zinc—the name by which the program is known—provided for the payment by the Metals Reserve Company of a premium on all domestic production of those metals in excess of monthly quotas established by the War Production Board and the Office of Price Administration and approved by the Metals Reserve Company which would reflect the difference between the respective ceiling prices for the materials involved and the equivalent of 17 cents per pound, Connecticut Valley, for copper; 9½ cents per pound, New York, for lead; and 11 cents per pound, East St. Louis, for zinc, subject to prior termination in event of the end of the national emergency prior to July 31, 1944, upon terms specified in the Metal Reserve Company's public announcement of March 7, 1942. On the basis of existing ceiling prices, which have not changed during the life of the plan, the basic or A premiums are 5 cents per pound on copper and 2½ cents per pound on lead and zinc, respectively.

On January 9, 1943, pursuant to joint War Production Board-Office of Price Administration recommendation, the effective period of the plan was extended for an additional year or until July 31, 1945, to aid in insuring the maintenance of maximum necessary production of premium metals for use in the war effort. All other terms remained unchanged.

In February 1943 the plan was broadened to cope with changing economic conditions in the lead-and-zinc industry so as to afford an additional premium for lead—called a B premium—and additional premiums for zinc—B and C premiums—upon joint recommendation of the War Production Board and the Office of Price Administration. Under such arrangement the maximum premium payable on lead was 5½ cents per pound and the maximum premium payable on zinc was 8½ cents per pound. Such additional premiums—over the basic A premiums—were payable on quotas which were made available only in those special cases where the basic A premiums would not provide adequate revenue to obtain the maximum necessary production.

In April 1943, the Office of Price Administration and War Production Board advised that to insure maximum necessary production of copper, it would be necessary, due principally to increased labor costs, to arrange in a number of special cases for the payment of premiums for copper higher than those then available. Arrangements for payment thereof were promptly approved, the additional premium—over the basic A premium of 5 cents per pound—to be specified in each case granted a special copper quota.

All additional premiums were made subject to cancelation upon prior notice.

The following chart lists the various quotas and premiums available under the plan:

A quotas: Deduct ceiling price from zinc, East St. Louis, 11 cents; lead, New York, 9¼ cents; copper, Connecticut Valley, 17 cents.

B quotas: Deduct ceiling price plus A premium from zinc, East St. Louis, 13¾ cents; lead, New York, 12 cents.

C quotas: Deduct ceiling price plus A and B premiums from zinc, East St. Louis, 16½ cents.

Special copper quotas to be specified for each mine.

At existing ceiling prices of $8\frac{1}{4}$ cents per pound, East St. Louis, for zinc; $6\frac{1}{2}$ cents per pound, New York, for lead; and 12 cents per pound, Connecticut Valley, for copper, premium rates are as follows:

On production in excess of A quotas, zinc, $2\frac{3}{4}$ cents; lead, $2\frac{3}{4}$ cents; copper 5 cents.

On production in excess of B quotas, zinc, $2\frac{3}{4}$ cents; lead, $2\frac{3}{4}$ cents.

On production in excess of C quotas, zinc, $2\frac{3}{4}$ cents.

On production in excess of special copper quotas, as specified.

Explanation: The fundamental purpose of the plan was to stimulate domestic production of the premium metals. Production from marginal properties was encouraged and operators were compensated by the premiums for the extra costs involved in bringing out the additional metal output. To compensate for increased costs, wage increases, and the necessity for mining lower grades of ore, additional premiums were provided, so as to insure the maintenance of the requisite production. From the viewpoint of price control, the plan has avoided the necessity for general price increases for the commodities, with a consequent overall savings to the Government, which, being the purchaser in one form or another of a large part of the production of the metals under war conditions, would have had to absorb such price increases.

A brief statement of the mechanics of the plan follows:

All quotas are assigned by the quota committee composed of the War Production Board and the Office of Price Administration representatives, based on an analysis of sworn data submitted by the producer. Such quotas are subject to approval by reviewing officers of the War Production Board, the Office of Price Administration, and the Metals Reserve Company and upon approval make the producer eligible for the premiums specified therein upon his compliance with the Metals Reserve Company requirements. Monthly payments are effected through the processing plants receiving the materials—which purchase the products for their own account—such plants acting as agents for the Metals Reserve Company, on the basis of sworn affidavits by the producers. To facilitate receipt of funds by producers, a procedure exists whereunder preliminary payments are made by the agents following delivery of the material. Final payments are effected after check of full data by the Metals Reserve Company, Washington office, except in the tri-State district—Missouri, Kansas, and Oklahoma—where, due to special conditions affecting that area only, payments are made through the Federal Reserve Bank of Kansas City. A financial statement is attached giving a break-down of premium payments made through the month of February 1945, and showing the amount of metals produced during the period February 1, 1942, through February 26, 1945, on which the premiums were paid.

The Emergency Price Control Act of 1942, as amended, authorizes this subsidy program, and the determinations required by section 2 (c) thereof have been duly made by the Federal Loan Administrator (Secretary of Commerce) and approved by the President.

Estimate for fiscal year ending June 30, 1946. In the event that the Congress passes the requisite enabling legislation it is proposed to extend the premium price plan, with certain modifications, through June 30, 1946. Full details as to the exact terms of the extension have not as yet been crystallized by the War Production Board, the Office of Price Administration, and the Metals Reserve Company, but agreement thereon is anticipated shortly. Estimated costs of this extension are: Copper premiums, \$33,000,000; lead premiums, \$15,000,000; zinc premiums, \$40,000,000; total premiums, \$88,000,000.

The proposed extension is predicated upon the continuing heavy requirements for the metals, copper and lead being in a particularly tight position, and the need for maintenance of an adequate quantity of production in the face of high costs of operation and shortage of manpower.

(The matter referred to follows:)

Metals Reserve Company, monthly premiums paid on excess production of copper, lead, and zinc

Month paid	Copper		Lead	
	Pounds	Amount	Pounds	Amount
1942 total.....	101,239,028.20	\$5,061,951.38	122,193,860.08	\$3,267,344.22
1943 total.....	476,117,262.79	25,209,046.59	284,586,292.05	9,426,642.68
1944 total.....	477,983,949.48	27,089,551.72	411,321,217.88	13,586,994.35
1945—				
January.....	27,391,855.00	1,682,520.66	33,718,413.00	1,116,170.44
February.....	39,411,094.00	2,349,143.90	42,786,546.30	1,402,923.66
1945 total.....	66,802,949.00	4,031,664.56	76,504,959.30	2,519,094.10
Grand total through Feb. 28, 1945.....	1,122,143,189.47	61,392,214.25	894,606,329.31	28,800,075.35

Month paid	Zinc		Total payments
	Pounds	Amount	
1942 total.....	359,792,826.78	\$8,839,938.74	\$17,169,234.34
1943 total.....	766,433,660.80	29,367,540.08	64,003,229.35
1944 total.....	949,702,940.70	40,923,090.00	81,599,636.07
1945—			
January.....	71,533,261.89	2,836,699.21	5,635,390.31
February.....	62,673,168.85	2,590,718.87	6,342,786.43
1945 total.....	134,206,430.74	5,427,418.08	11,978,176.74
Grand total through Feb. 28, 1945.....	2,210,135,859.02	84,557,986.90	174,750,276.50

[H. R. 2775, 79th Cong. 1st sess.]

A BILL To permit certain subsidy and loss operations, in the case of flour, without regard to the provisions of the last paragraph of section 2 (e) of the Emergency Price Control Act of 1942

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That without regard to the provisions of the last paragraph of section 2 (e) of the Emergency Price Control Act of 1942, as amended, subsidy payments and purchases for resale at a loss may be made by the Defense Supplies Corporation, during the fiscal year ending June 30, 1946, with respect to flour produced within the United States, in an amount not to exceed \$190,000,000.

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DIGEST OF PROCEEDINGS OF CONGRESS OF INTEREST TO THE DEPARTMENT OF AGRICULTURE
Issued March 28, 1945, for actions of Tuesday, March 27, 1945)

(For staff of the Department only)

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HOUSE

1. COMMODITY CREDIT. Agreed to the conference report on S. 298, the CCC bill (for provisions see Digest 58) (p. 2899). The Senate has not yet acted on the report.
2. FOOD SUPPLY. Agreed with amendment, 292-7, to H. Res. 195, resolution providing for a special committee to investigate supplies and shortages of food, especially meat (pp. 2901-3). Reps. Anderson, N.Mex. (Chairman), Pace, Ga., Clements, Ky., Gorski, Ill., Andresen, Minn., Herter, Mass., and Holmes, Wash., were elected members of the select committee. Rep. Flannagan, Va., criticized the resolution (p. 2879).
3. FLOUR SUBSIDIES. Passed without amendment H.R. 2775, to permit subsidy and loss operations, in the case of flour, without regard to the limitations in Sec. 2(e) of the Emergency Price Control Act relating to less than maximum production (pp. 2900-1).
4. MANPOWER. Agreed, 167-160, to the conference report on H.R. 1752, the manpower bill (pp. 2881-99). The conferees retained the Senate provision clarifying the findings amendment regarding farm-labor deferments (see Digest 36). Reps. May, Ky., and Andrews, N.Y., discuss the farm-labor item (p. 2885). Rep. Miller, Nebr., stated, "The bill...regiments the farmer" (p. 2894). Rep. Savage, Wash., stated, "According to O.P.A. studies profits in...lumber and timber basic products are 1,064 percent higher" for 1944 than pre-war (p. 2898).
5. FOOD PRODUCTION. Rep. Elliott, Calif., commended Calif. food production (p. 2880).
6. POST-WAR AGRICULTURE. Received from the President the 1st report to the governments of the United Nations by the Interim Commission on Food and Agriculture (p. 2881). (See Digest 58.)

7. SMALL BUSINESS. On objection by Rep. Michener, Mich., passed over Rep. Spence's (Ky.) unanimous consent request for consideration of H.R.8, to extend the life of the Smaller War Plants Corporation until Dec. 30, 1946 (p. 2901).
8. PUERTO RICO. Agreed to Rep. Bell's (Mo.,) unanimous consent request to continue the investigation of political, social, and economic life of Puerto Rico until May 20, 1945 (p. 2903).
9. VETERANS' BENEFITS. Agreed to H.Con.Res. 37, authorizing the printing of a revised edition of H.Doc. 394, 78th Cong., "Handbook for Servicemen and Servicewomen of World War II" (pp. 2920-1).
10. PERSONNEL; FOREIGN SERVICE. Passed as reported H.R.689, to strengthen the Foreign Service, by permitting fullest utilization of available personnel and facilities of other U.S. agencies and coordination of activities abroad (pp. 2921-4).
11. DAIRY INDUSTRY. Rep. Murray, Wis., criticized administration of the Filled-Milk Act as it has been applied to the "filled-cream set-up," . . . stated that it is "an example of maladministration, and inserted his correspondence with WFA and the Food and Drug Administration (pp. 2924-6).
12. ARKANSAS VALLEY AUTHORITY. Received an Arkansas Basin Flood Control Association petition opposing the establishment of an AVA and requesting that the river basin be developed by the Army Corps of Engineers (p. 2928).
13. LEGISLATIVE PROGRAM. Majority Leader McCormack, Mass., stated that there will be no business today (Mar.28) and there will be nothing until April 10 on the program (p. 2909).
14. APPROPRIATIONS. Received from the President (Mar. 22) supplemental appropriation estimates of \$60,000,000 for operations of disposal agencies under the Surplus Property Act of 1944 (to be allocated by the Surplus Property Board, with the concurrence of the Director of War Mobilization and Reconversion, to such agencies and in such amounts as approved by the Budget Bureau), and for FEA, Office of Scientific Research and Development, Smaller War Plants Corporations, Office of Inter-American Affairs, W.P.B., and O.P.A (H. Doc. 120).

SENATE

15. FOOD SUPPLY.. Sen. Wherry, Nebr., blamed the "food shortage" "on governmental agencies having to do with farming and agricultural activities" and inserted constituents' letters stating reasons for the "meat shortage" which include the drafting of farm labor and OPA ceiling prices (pp. 2847-8).
16. FARM LABOR. Sen. Wherry, Nebr., criticized the drafting of farm labor, inserted a Washington Evening Star article discussing the President's request for appropriations for certain war agencies, including selective service, and included a constituent's letter criticizing "the planned economy that the New Deal has been trying to put over on this country" and the drafting of farm labor (pp. 2848-9).
17. WATER UTILIZATION. Continued debate on the Mexican Water Treaty (pp. 2849-77). Sen. Downey, Calif., spoke in opposition to the treaty, stating that if the treaty is signed, Mexico will have "the cheapest land, the cheapest water, the cheapest power, and the cheapest labor, the best set-up for a million acres,

Mr. Chapman for, with Mr. Outland against.

Mr. Hale for, with Mr. Hull against.
Mr. Durham for, with Mr. Sheridan against.
Mr. Chelf for, with Mr. McGregor against.
Mr. Slaughter for, with Mr. Brown of Ohio against.

General pairs:

Mr. Hobbs with Mr. Ellsworth.
Mr. Stigler with Mr. Anderson of California.
Mr. Allen of Louisiana with Mr. Gwinn of New York.
Mr. O'Brien of Illinois with Mr. Fuller.
Mr. Combs with Mr. Martin of Massachusetts.
Mr. Powell with Mr. Bates of Massachusetts.
Mr. Bates of Kentucky with Mr. Taylor.
Mr. Maloney with Mr. Stevenson.
Mr. Morgan with Mr. Vursell.
Mr. Weiss with Mr. Stockman.
Mr. Huber with Mr. Eaton.
Mr. Gregory with Mr. Reece of Tennessee.
Mr. Izac with Mrs. Luce.
Mr. Lyle with Mr. Cole of New York.
Mr. Mansfield of Texas with Mr. Butler.
Mr. Lesinski with Mr. Blackney.
Mr. Sabbath with Mr. Dirksen.
Mr. Sikes with Mr. Case of South Dakota.
Mr. Cannon of Florida with Mr. Byrnes of Wisconsin.

Mr. DINGELL. Mr. Speaker, I have a live pair with the gentleman from Minnesota, Mr. KNUTSON. Had he been present he would have noted "nay." Having voted in the affirmative, I withdraw my vote and answer "present."

Mr. SLAUGHTER. Mr. Speaker, on this roll call I voted "yea." I have a pair with the gentleman from Ohio, Mr. BROWN, who, if he were present, would have voted "nay." Accordingly I change my vote and answer "present."

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

GENERAL LEAVE TO PRINT

Mr. MAY. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks on the conference report just agreed to.

The SPEAKER. Is there objection to the request of the gentleman from Kentucky?

There was no objection.

COMMODITY CREDIT CORPORATION

Mr. SPENCE. Mr. Speaker, I call up the conference report on the bill (S. 298) to continue Commodity Credit Corporation as an agency of the United States, increase its borrowing power, revise the basis of the annual appraisal of its assets, and for other purposes, and ask unanimous consent that the statement be read in lieu of the report.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Kentucky?

There was no objection.

The Clerk read the statement.

(For conference report and statement, see proceedings of the House of March 26, 1945.)

Mr. RICH. Mr. Speaker, will the gentleman yield?

Mr. SPENCE. I yield.

Mr. RICH. You have increased this amount from \$3,000,000,000 to \$4,750,000,000. Is that correct?

Mr. SPENCE. The House figure was \$5,000,000,000. The Senate figure was \$4,500,000,000. We split the difference. The House reduced the figure \$250,000,000 and the Senate increased theirs by \$250,000,000.

Mr. RICH. Now, you expect to pay the farmers subsidies under this bill in the amount of \$4,750,000,000?

Mr. SPENCE. The authorization heretofore was \$3,000,000,000. The other body increased it \$1,500,000,000. The House increased it still more. If we adopt this report, it will increase the \$3,000,000,000 previously authorized by \$1,750,000,000.

Mr. RICH. You do not blame anyone for getting confused with these large figures, do you?

Mr. SPENCE. No; I do not. Sometimes people become confused with figures.

Mr. RICH. I would like to ask this question: This bill is for the purpose of aiding and assisting the farmers of this country. Is that correct?

Mr. SPENCE. I think it is very obvious that that is the purpose of the bill.

Mr. RICH. It is a hand-out. Now, if you are going to help the farmers of this country, why do you not get the price of a commodity so that the farmer can receive the proper price for what he produces and get that out of the people who are going to be the consumers, so that you do not have to pay out \$4,000,000,000 or \$3,000,000,000 or \$2,750,000,000 out of an empty Treasury? You say today we have more money than the people of this country can use. Well, now, they could put it in the price of the commodity so that the farmer would get paid for what he produces plus a satisfactory amount for his wage; then the farmer would be getting what is just and due him.

Whenever the time comes that you cannot pay subsidies—and it is coming so quick your head will swim and every Member of this House will wonder how suddenly it has come upon them—then you will be in a position where you cannot help the farmers at all. Instead of being an aid to the farmers it is going to be an injustice to the farmers.

Mr. SPENCE. This policy has been adopted by the Government and it is a policy that has worked very well. If you take away this support from farm prices at this time, there might be an utter collapse.

Mr. RICH. I am not asking you to take it away.

Mr. SPENCE. —These are academic discussions the gentleman is engaging in. It is a question of whether we are going to follow a policy that has been adopted by the Government. We bring back the bill to the House unchanged except as to the amount. There is no difference of opinion as to the bill. The conferees agreed on the bill in its entirety, and I ask for the adoption of the conference report, Mr. Speaker.

Mr. RICH. Mr. Speaker, will the gentleman yield for one further observation?

Mr. SPENCE. For one question; yes.

Mr. RICH. If this is an academic question, then I think you will find that the farmers of this country have got something more academic than this question because, if you give them the prices for their commodities, you will not have to be giving them hand-outs. They are the ones who will lose by this kind of procedure.

Mr. SPENCE. We have been finding out the feeling of the farmers toward us for the past 12 years.

Mr. SAVAGE. Mr. Speaker, will the gentleman yield?

Mr. SPENCE. I yield.

Mr. SAVAGE. In answer to the gentleman from Pennsylvania, a few million dollars subsidy to the farmers to prevent rising prices saves many more millions to the Government because if farm prices went up wages would have to go up and it would cost the Government many times more than it is costing to stabilize prices.

Mr. SPENCE. Certainly. Everyone realizes that this is one of the great stabilizing agencies that has kept prices down during the war.

Mr. Speaker, I ask for the adoption of the conference report.

The SPEAKER. The question is on agreeing to the conference report.

The conference report was agreed to.
A motion to reconsider was laid on the table.

AMENDING THE NATIONAL HOUSING ACT

Mr. SPENCE. Mr. Speaker, I call up the conference report on the bill (S. 631) to amend the National Housing Act, as amended, and for other purposes, and I ask unanimous consent that the statement may be read in lieu of the report.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Kentucky?

There was no objection.

The Clerk read the statement.

(For conference report and statement, see proceedings of the House of March 26, 1945.)

Mr. SPENCE. Mr. Speaker, we have brought back to the House the House amendment to the Senate bill, unchanged. The conferees in the other body receded from the amendment, which involved the Securities and Exchange Act. This is the bill exactly as it was passed by the House.

Mr. RICH. Mr. Speaker, will the gentleman yield?

Mr. SPENCE. I yield.

Mr. RICH. This is to amend the National Housing Act?

Mr. SPENCE. Title VI; yes.

Mr. RICH. It increases it \$100,000,000?

Mr. SPENCE. It increases its authority to issue insurance to provide lending institutions by \$100,000,000.

Mr. RICH. The capital is to be increased from \$1,600,000,000 to \$1,700,000,000.

Mr. SPENCE. That is not capital, that is the authorized insurance. They have been authorized to insure another \$100,000,000. They have been author-

ized to increase this insurance from \$1,700,000,000 to \$1,800,000,000.

Mr. RICH. All right. Let me call the attention of the House to this fact. I hold in my hand a government-insured Federal Housing Administration mortgage for 100 percent, insured under Title 6 of the National Housing Act. Here is one of the corporations that is sending out literature showing the kind of houses they are constructing. They are lending on these houses from \$6,200 to \$7,600; yet I will say to you as a man experienced in building that the house is not worth over \$3,000; I do not believe it is worth \$2,500. Here is what the Government is going to guarantee loans on, and the amount to be guaranteed by the Federal Government is twice what these houses are worth. It is poor business on the part of this Congress to agree to such a policy.

Mr. SPENCE. The gentleman is very much mistaken in his assumption. The Government makes no loans.

Mr. RICH. The Government guarantees the loans.

Mr. SPENCE. The Federal Housing Administration insures the loans made by private lending agencies.

Mr. RICH. That is right; exactly so.

Mr. SPENCE. And the organization, the individual that approves the loans, is the private lending organization. The Government merely insures the loan if they find it is within their requirements—insure it for a fee. The premiums that they have charged have not only paid all the expenses of the organization but, I believe, they have a considerable reserve.

The gentleman is always talking about private enterprise. This is a stimulation of private enterprise. It means keeping the private lending institutions in business.

Mr. RICH. I am in favor of that, I assure the gentleman. But I want to say this, that you guarantee under title 5 of this bill—

Mr. SPENCE. This is title 6.

Mr. RICH. Title 6, that even if the loan is as high as \$6,200 or \$7,600 on these houses that you are constructing that are worth, we will say, only 50 percent of what they are being insured for, you are going to insure the loan on it. Let me say that this will result in a great loss to the Treasury. Furthermore the interest rate on these loans is designed to yield about 3.86 percent.

Mr. SPENCE. This is for the war housing.

Mr. WOLCOTT. Mr. Speaker, will the gentleman yield?

Mr. SPENCE. I yield.

Mr. WOLCOTT. The insurance cannot be \$6,200 because the law specifically says it may not be more than 90 percent of \$6,000. Thus the mortgage insured can never be more than \$5,400. The gentleman is just as wrong as he possibly can be. I think that every Member of this House should be mighty proud of the record made by the F. H. A.

Mr. RICH. But here is a concern which by their own literature shows what is being done.

Mr. WOLCOTT. We surely should not be responsible for the literature a private concern is sending out. If the

gentleman will read the law he will find it stated very plainly that the F. H. A. cannot insure under title 6 a mortgage for more than \$5,400, notwithstanding what any firm says in that brochure the gentleman has.

Mr. RICH. That is all right; but I find that lots of Members in the House of Representatives make statements which on analysis do not touch the true facts. Neither this concern nor any other is going to send out a statement that a thing is guaranteed by the Government unless it is.

Mr. SPENCE. The gentleman should get his information from the statute books, not from advertisements.

Mr. RICH. That is all right.

Mr. WOLCOTT. The gentleman is talking about an entirely different section of the bill than is involved. The gentleman is talking about the multiple dwellings, not private dwellings under title 6. It cannot be done.

Mr. RICH. But they do it and the gentleman will find that the Government and the taxpayers will be stuck with this kind of legislation.

Mr. SPENCE. Mr. Speaker, I move the previous question on the conference report.

The previous question was ordered.

The conference report was agreed to.

A motion to reconsider was laid on the table.

FLOUR SUBSIDY

Mr. SPENCE. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill (H. R. 2775) to permit subsidy and loss operations, in the case of flour, without regard to the provisions of the last paragraph of section 2 (e) of the Emergency Price Control Act of 1942.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Kentucky?

Mr. WOLCOTT. Mr. Speaker, reserving the right to object, will the gentleman from Kentucky explain this bill?

Mr. SPENCE. Mr. Speaker, the committee had under consideration the bill S. 502, which provides for the continuation of subsidies paid by the Reconstruction Finance Corporation and its subsidiaries. Some objections were made to certain of the subsidies and it was apparent that hearings would be continued over a very considerable period of time. Because of that fact and on account of the imperative necessity for the flour subsidies continuing, a bill was drafted which took the flour subsidy out of the R. F. C. bill and gave the House the opportunity to consider that as a separate measure. Under Secretary Patterson wrote a letter to the committee in which he stated that it is imperative and in the interest of the national defense as well as the war effort that these subsidies be continued.

The War Department purchases each year about \$132,000,000 in flour for the armed forces, it makes purchases for other agencies of the United States, and in order to enter into its contracts with he millers and in order that the millers might know what they will receive for their flour under these forwarding con-

tracts, it is necessary to authorize these subsidies at the present time, otherwise they expire on June 30 of the present year.

Mr. AUGUST H. ANDRESEN. Mr. Speaker, will the gentleman yield?

Mr. WOLCOTT. I yield to the gentleman from Minnesota.

Mr. AUGUST H. ANDRESEN. Mr. Speaker, I would like to point out the importance of this bill. While I do not favor consumer subsidies or any other kind of subsidies, we must be reconciled to the fact that we are operating under this policy. It is customary with flour mills to sell their flour from 30 to 120 days in advance of delivery to the bakers and to other people who use flour all over the country. They have come to a point now where they cannot make sales or delivery on flour because they do not know what the price will be that they can sell their flour at, there is uncertainty and the merchants and bakers of the country are unable to buy flour for delivery after June 30 of this year. The importance of passing this legislation at the present time is apparent. It is being called up here irregularly because if this bill is not passed the flour mills of the country cannot sell their flour and the people of the country will go without bread. I hope, therefore, there will not be any objection to the bill.

Mr. SPENCE. I thank the gentleman.

Mr. HOPE. Mr. Speaker, will the gentleman yield?

Mr. WOLCOTT. I yield to the gentleman from Kansas.

Mr. HOPE. May I ask the gentleman from Michigan whether this subsidy is a domestic subsidy to the millers of flour for flour consumed domestically or does it have to do with the export subsidy on flour?

Mr. WOLCOTT. There is no money in here for export subsidies. This has to do wholly with the subsidies paid to encourage the production of domestic flour and it has no relation whatsoever to export subsidies which are paid by any agency of the Government.

Mr. AUGUST H. ANDRESEN. Is it not a fact this is strictly a consumer subsidy, that the price of bread is being held down and that because of the high price of wheat which goes into the manufacture of flour, in order to keep the price of bread down this subsidy is paid for that purpose and that purpose only?

Mr. WOLCOTT. Yes. I think perhaps we should have in mind the history of this legislation. We fought the consumer subsidy provision on the floor last year and the year before that, if you will remember, and when the O. P. A. bill was up in the Senate last year a provision was written into the law which forbade the payment of any subsidies of whatever nature after June 30, 1945, unless the Congress specifically appropriated for that particular purpose. Last week on the Commodity Credit bill the House authorized the payment of certain subsidies, limiting them to a certain program, and to a certain amount on those subsidies which were paid by the Commodity Credit Corporation. Of course, because of the broad language of the so-called Taft amendment in the Senate forbidding the payment of subsidies, it

was necessary that comparable legislation be enacted for the subsidies which are paid through the Defense Supplies Corporation, a subsidiary of R. F. C. The Senate, in its wisdom, passed a bill covering the entire program of subsidies paid by the Defense Supplies Corporation principally on meat, butter, and flour.

There is some controversy over the butter program; there is some controversy on the meat program, and inasmuch as that particular legislation can lay over until after the recess, because they do not deal in futures in respect to meat or butter, we found it advisable to lift from the Senate bill that provision with respect to flour. In respect to wheat they deal in futures and it is necessary that the wheat program be laid out at the present time. This is a limitation upon the amount which can be spent on the wheat program which, as the gentleman from Kansas says, is virtually a consumers subsidy on the price of bread.

Mr. ROBINSON of Utah. Mr. Speaker, will the gentleman yield?

Mr. WOLCOTT. I yield to the gentleman from Utah.

Mr. ROBINSON of Utah. Does this bill also provide for a subsidy on metals; copper and lead?

Mr. WOLCOTT. The Senate bill that I referred to did, but that will be considered after the recess. This wheat provision is lifted from that bill, and this bill before us now has only to do with the wheat subsidy program.

Mr. ROBINSON of Utah. Mr. Speaker, if the gentleman will yield further, may I ask the chairman of the committee to take up the bill and consider these other subsidies immediately after the recess?

Mr. SPENCE. We have been considering the bill. Because of the necessity for quick action we took this one provision out so that the Congress could consider it before the rest of the bill is brought before us. We will consider the rest of the bill shortly after the recess.

Mr. ROBINSON of Utah. I have no objection to the consideration of this one subsidy, but I think all of them should be considered.

Mr. MURDOCK. Mr. Speaker, will the gentleman yield?

Mr. WOLCOTT. I yield to the gentleman from Arizona.

Mr. MURDOCK. I have no objection to offer to the passage of this needed measure. May I say to the chairman that these other matters in Senate 502, especially concerning copper, lead, and zinc, are pressing also, and I urge the committee to hold hearings immediately after the recess period. Their situation is about as serious as that of wheat.

Mr. SPENCE. It was not represented to us to be as urgent as the flour situation.

Mr. PRIEST. Mr. Speaker, will the gentleman yield?

Mr. WOLCOTT. I yield to the gentleman from Tennessee.

Mr. PRIEST. If this legislation is enacted, it simply means a continuation of the subsidy program that has been in effect with reference to wheat, flour, and bread.

Mr. WOLCOTT. As I understand, the subsidy program in respect to wheat and

flour is frozen at this amount for one more year.

Mr. MURRAY of Wisconsin. Mr. Speaker, will the gentleman yield?

Mr. WOLCOTT. I yield to the gentleman from Wisconsin.

Mr. MURRAY of Wisconsin. In line with the question asked by the gentleman from Kansas, may I say that there is a great distinction between a subsidy on the domestic consumption of this wheat and a subsidy on export consumption.

Mr. WOLCOTT. The gentleman is correct in that.

Mr. MURRAY of Wisconsin. That brings in two different pictures.

Mr. WOLCOTT. The gentleman is correct. This bill has no reference to an export subsidy.

Mr. ENGLE of California. Mr. Speaker, will the gentleman yield?

Mr. WOLCOTT. I yield to the gentleman from California.

Mr. ENGLE of California. Will the chairman of the committee state to the House his intention with reference to holding hearings on these other subsidies contained in Senate bill 502? I am particularly interested in copper, lead, and zinc.

Mr. SPENCE. We intend to hold hearings on them as soon as possible. We have started hearings on the bill and intend to go through with them to a conclusion. The hearings have just been continued, and we expect to resume them after the recess. I do not say we shall do so the day after the recess, but shortly after the recess. We expect to report that bill.

Mr. ENGLE of California. I understand that immediately, at the earliest practicable moment after the recess, we will resume the hearings on Senate bill 502, and can go into these other matters?

Mr. SPENCE. The bill S. 502 will be considered in the committee shortly after the recess, I think.

Mr. ENGLE of California. I join my colleagues in expressing our interest in and the urgency for the passage of those measures.

The SPEAKER. Is there objection to the request of the gentleman from Kentucky [Mr. SPENCE]?

There was no objection.

The Clerk read the bill, as follows:

Be it enacted, etc., That without regard to the provisions of the last paragraph of section 2 (e) of the Emergency Price Control Act of 1942, as amended, subsidy payments and purchases for resale at a loss may be made by the Defense Supplies Corporation, during the fiscal year ending June 30, 1946, with respect to flour produced within the United States, in an amount not to exceed \$190,000,000.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

SMALLER WAR PLANTS CORPORATION

Mr. SPENCE. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill (H. R. 8) to amend a law known as Public Law 603 (77th Cong., 2d sess., ch. 404), and entitled, "An act to mobilize the productive

facilities of small business in the interests of successful prosecution of the war, and for other purposes."

I may say that this bill was reported by the Committee on Banking and Currency this morning. I do not think it is controversial.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Kentucky?

Mr. WOLCOTT. Reserving the right to object, Mr. Speaker, will the chairman of the committee explain what this bill is about?

Mr. SPENCE. The bill does one thing, it extends the life of the Smaller War Plants Corporation for a year and a half from June 30, 1945.

At the hearing this morning the American Bankers Association expressed a desire to be heard, but when the extension of the life of the Corporation was reduced to a year and a half, instead of 2½ years, as in the bill as introduced, they said they had no objection to it. The bill provides for no appropriation and for no expenditure. It merely extends the life of the Corporation to December 31, 1946.

Mr. MICHENER. Mr. Speaker, will the gentleman yield?

Mr. WOLCOTT. I yield to the gentleman from Michigan.

Mr. MICHENER. Mr. Speaker, this matter was only reported out by the committee this morning. It was not included in the statement given to the House by the majority leader as to the business that would be taken up before the recess. One or two members have spoken to me about this particular bill and said, "If they attempt to bring it up by unanimous consent without consideration, I want to be notified." Therefore, I object to its consideration at this time.

SELECT COMMITTEE TO INVESTIGATE SUPPLIES AND SHORTAGES OF FOOD, PARTICULARLY MEAT

The SPEAKER. The unfinished business is the further consideration of House Resolution 195, on which there are 2 minutes of debate remaining.

The Chair recognizes the gentleman from Georgia [Mr. Cox].

Mr. COX. Mr. Speaker, I move the previous question on the resolution.

The previous question was ordered.

The SPEAKER. The question is on the resolution.

The question was taken; and the Chair announced that the "ayes" appeared to have it.

Mr. FLANNAGAN. Mr. Speaker, I demand a division.

Mr. COX. Mr. Speaker, I ask unanimous consent to vacate the proceedings by which the previous question was ordered.

Mr. FLANNAGAN. I object, Mr. Speaker.

Mr. KEEFE. Mr. Speaker, a parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. KEEFE. Mr. Speaker, this scenery is moving so fast here I just do not understand the procedure. As I under-

stand, we had under consideration a resolution from the Committee on Rules and there were 2 minutes of debate remaining. I had a very distinct understanding yesterday with the gentleman from New Mexico [Mr. ANDERSON], and with the gentleman from Georgia [Mr. Cox], that before this resolution was voted on an amendment to the resolution would be offered, and that the gentleman from Georgia would yield for the purpose of offering that amendment.

Mr. COX. The gentleman is correct.

Mr. KEEFE. Mr. Speaker, I should hesitate very much to see this thing move so very rapidly before that agreement is consummated.

The SPEAKER. The Chair doubts that the gentleman from Wisconsin has propounded a parliamentary inquiry. The gentleman has made a statement of fact.

Mr. KEEFE. Mr. Speaker, may I ask what the situation is which now confronts us?

The SPEAKER. The situation at present is that the previous question has been ordered on the resolution.

Mr. KEEFE. Then, in view of that situation, if the gentleman from Georgia, in charge of the resolution, yields, is the resolution subject to amendment?

The SPEAKER. The gentleman does not have the right to yield since the previous question has been ordered.

Mr. ANDERSON of New Mexico. Mr. Speaker, a parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. ANDERSON of New Mexico. Mr. Speaker, if the previous question is voted down, will the gentleman from Georgia [Mr. Cox] then have the right to yield to me for the purpose of offering an amendment?

The SPEAKER. The Chair will state that the previous question has already been ordered. The motion for the previous question offered by the gentleman from Georgia [Mr. Cox] has already been agreed to.

Mr. COX. Mr. Speaker, I move that the House reconsider the vote by which the previous question was ordered. I am compelled to make that motion because of the agreement that the gentleman from Wisconsin [Mr. KEEFE] has stated was made between himself and the gentleman from New Mexico [Mr. ANDERSON].

Mr. FLANNAGAN. Mr. Speaker, a parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. FLANNAGAN. Mr. Speaker, a vote has been ordered on this resolution. The question was taken and I asked for a division. We were in the course of taking that vote by division when this controversy arose.

The SPEAKER. That question has not been decided.

A motion to reconsider is in order and the Chair must recognize the gentleman from Georgia [Mr. Cox] who made the motion to reconsider the vote by which the previous question was ordered, which the Chair has done.

Mr. FLANNAGAN. Mr. Speaker, is such a motion in order after the vote on the resolution has been ordered?

The SPEAKER. Certainly, at any time.

Mr. MICHENER. Mr. Speaker, inasmuch as a misunderstanding has evidently occurred, I ask unanimous consent that all proceedings beyond the motion for the previous question be vacated and that the question on ordering the previous question again be put by the Speaker.

Mr. FLANNAGAN. Mr. Speaker, I object.

Mr. MICHENER. That is what the gentleman wants; is it not?

The SPEAKER. The question is on the motion of the gentleman from Georgia [Mr. Cox] to reconsider the vote by which the previous question was ordered.

The motion was agreed to.

The SPEAKER. The question is on ordering the previous question.

The motion for the previous question was rejected.

Mr. ANDERSON of New Mexico. Mr. Speaker, will the gentleman from Georgia [Mr. Cox] yield?

Mr. COX. Mr. Speaker, I yield to the gentleman from New Mexico [Mr. ANDERSON].

Mr. MICHENER. Mr. Speaker, will the gentleman yield for a parliamentary inquiry?

Mr. ANDERSON of New Mexico. I yield.

Mr. MICHENER. Mr. Speaker, the acting chairman of the Committee on Rules having yielded for the offering of an amendment, as I understand the rule, the gentleman from New Mexico now has 1 hour, and the gentleman from Georgia has lost the floor.

The SPEAKER. The gentleman is correct.

The Clerk will report the amendment offered by the gentleman from New Mexico [Mr. ANDERSON].

The Clerk read as follows:

Amendment offered by Mr. ANDERSON of New Mexico: On page 2, line 5, after the word "trade", strike out the period and insert a comma and the words "and shall report to the House from time to time, the first such report to be made not later than May 1, 1945."

The amendment was agreed to.

Mr. ANDERSON of New Mexico. Mr. Speaker, I move the previous question on the resolution.

The previous question was ordered.

The SPEAKER. The question is on agreeing to the resolution.

The question was taken; and on a division (demanded by Mr. FLANNAGAN) there were—ayes 108 and noes 2.

Mr. FLANNAGAN. Mr. Speaker, I object to the vote on the ground that there is no quorum present, and I make the point of order that there is no quorum present.

The SPEAKER. Evidently there is no quorum present. The Doorkeeper will close the doors, the Sergeant at Arms will notify absent Members, and the Clerk will call the roll.

The question was taken; and there were—yes 292, nays 7, not voting 133, as follows:

[Roll No. 54]

YEAS—292

Abernethy	Gillespie	Murray, Wis.
Andersen,	Gillette	Neely
H. Carl	Gillie	Norrell
Anderson,	Goodwin	Norton-
N. Mex.	Gorski	O'Brien, Mich.
Andresen,	Graham	O'Hara
August H.	Granahan	O'Konski
Andrews, Ala.	Grant, Ala.	O'Neal
Andrews, N. Y.	Grant, Ind.	O'Toole
Angell	Green	Pace
Auchincloss	Griffiths	Patman
Baldwin, Md.	Gross	Patrick
Baldwin, N. Y.	Gwynne, Iowa	Patterson
Barrett, Pa.	Hall,	Peterson, Fla.
Barrett, Wyo.	Edwin Arthur	Philbin
Beall	Halleck	Pickett
Beckworth	Hancock	Ploeser
Bender	Hand	Poage
Bennet, N. Y.	Hare	Price, Fla.
Bennett, Mo.	Harness, Ind.	Priest
Biemiller	Harris	Quinn, N. Y.
Bloom	Havenner	Rains
Bonner	Hays	Ramey
Brehm	Healy	Ramspeck
Brooks	Hébert	Randolph
Brown, Ga.	Hedrick	Rankin
Brumbaugh	Heffernan	Reed, Ill.
Bryson	Herter	Reed, N. Y.
Buck	Heseltun	Rees, Kans.
Buckley	Hess	Rich
Bunker	Hill	Richards
Byrne, N. Y.	Hoch	Riley
Camp	Hoeven	Robertson,
Campbell	Holmes, Mass.	N. Dak.
Canfield	Holmes, Wash.	Robertson, Va.
Cannon, Mo.	Hook	Robinson, Utah
Carlson	Hope	Robison, Ky.
Carnahan	Horan	Rockwell
Case, N. J.	Jackson	Rodgers, Pa.
Celler	Jarman	Roe, Md.
Chenoweth	Jenkins	Roe, N. Y.
Chiperfield	Jensen	Rogers, Fla.
Church	Johnson, Calif.	Rogers, Mass.
Clason	Johnson, Ill.	Rogers, N. Y.
Clements	Johnson, Ind.	Rooney
Clevenger	Johnson,	Rowan
Coffee	Luther A.	Ryter
Cole, Mo.	Johnson,	Sadowski
Colmer	Lyndon B.	Sasser
Cooley	Johnson, Okla.	Savage
Cooper	Jones	Schwabe, Mo.
Corbett	Jonkman	Schwabe, Okla.
Courtney	Kean	Scrivner
Cox	Kearney	Shafer
Cravens	Kee	Sharp
Crawford	Keefe	Sheppard
Crosser	Kelley, Pa.	Short
Cunningham	Kelly, Ill.	Slaughter
Curley	Kerr	Smith, Ohio
Curtis	Kilburn	Somers, N. Y.
D'Alesandro	Kilday	Sparkman
Daughton, Va.	King	Spence
Davis	Kinzer	Springer
De Lacy	Kirwan	Starkey
Delaney,	Kopplemann	Stefan
James J.	LaFollette	Stewart
Dickstein	Lane	Sullivan
Dingell	Lanham	Sumner, Ill.
Dolliver	Larcade	Sundstrom
Domengeaux	Latham	Taber
Doughton, N. C.	LeFevre	Talbot
Douglas, Calif.	Lemke	Talle
Douglas, Ill.	Lewis	Thom
Doyle	Link	Thomason
Drewry	Ludlow	Tibbott
Dworshak	Lynch	Tolan
Earthman	McConnell	Traynor
Elliott	McCormack	Trimble
Ellis	McCowan	Vinson
Elston	McDonough	Vorys, Ohio
Engel, Mich.	McGlinchey	Wadsworth
Engle, Calif.	McMillan, S. C.	Walter
Ervin	McMillen, Ill.	Weaver
Fallon	Madden	Weichel
Feighan	Mahon	Weich
Fenton	Manasco	West
Fernandez	Mansfield,	Whitten
Fisher	Mont.	Whittington
Flood	Marcantonio	Wigglesworth
Fogarty	Martin, Iowa	Willson
Folger	Mason	Winstead
Forand	May	Wolcott
Fulton	Morrow	Wolverton, N. J.
Gallagher	Michener	Wood
Gamble	Miller, Calif.	Woodhouse
Gardner	Miller, Nebr.	Woodruff, Mich.
Gathings	Mills	Woodrum, Va.
Gavin	Mundt	Worley
Gearhart	Murdock	Zimmerman
Geelan	Murphy	
Gerlach	Murray, Tenn	

H. R. 2775

IN THE SENATE OF THE UNITED STATES

MARCH 28 (legislative day, MARCH 16), 1945

Read twice and referred to the Committee on Banking and Currency

AN ACT

To permit certain subsidy and loss operations, in the case of flour, without regard to the provisions of the last paragraph of section 2 (e) of the Emergency Price Control Act of 1942.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That without regard to the provisions of the last paragraph
4 of section 2 (e) of the Emergency Price Control Act of
5 1942, as amended, subsidy payments and purchases for
6 resale at a loss may be made by the Defense Supplies
7 Corporation, during the fiscal year ending June 30, 1946,
8 with respect to flour produced within the United States, in
9 an amount not to exceed \$190,000,000.

Passed the House of Representatives March 27, 1945.

Attest:

SOUTH TRIMBLE,

Clerk.

79TH CONGRESS
1ST SESSION

H. R. 2775

AN ACT

To permit certain subsidy and loss operations, in the case of flour, without regard to the provisions of the last paragraph of section 2 (e) of the Emergency Price Control Act of 1942.

MARCH 28 (legislative day, MARCH 16), 1945

Read twice and referred to the Committee on
Banking and Currency

Please return to

LEGISLATIVE REPORTS AND SERVICE SECTION

Office of the Director and Clerk

1945 CONTINUATION OF RECONSTRUCTION FINANCE

CORPORATION SUBSIDY PROGRAMS

FILE COPY

HEARINGS

BEFORE THE

COMMITTEE ON BANKING AND CURRENCY

HOUSE OF REPRESENTATIVES

SEVENTY-NINTH CONGRESS

FIRST SESSION

ON

S. 502

AN ACT TO PERMIT THE CONTINUATION OF CERTAIN
SUBSIDY PAYMENTS AND CERTAIN PURCHASE AND
SALE OPERATIONS BY CORPORATIONS CREATED
PURSUANT TO SECTION 5D (3) OF THE RECON-
STRUCTION FINANCE CORPORATION ACT,
AS AMENDED, AND FOR OTHER PURPOSES

APRIL 24, 25, AND 26, 1945

Printed for the use of the Committee on Banking and Currency



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GOVERNMENT PRINTING OFFICE
WASHINGTON : 1945

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1945 CONTINUATION OF RECONSTRUCTION FINANCE CORPORATION SUBSIDY PROGRAMS

TUESDAY, APRIL 24, 1945

HOUSE OF REPRESENTATIVES,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C.

The Committee on Banking and Currency met, pursuant to notice, at 9:30 a. m., the Honorable Brent Spence (chairman) presiding.

The CHAIRMAN. The committee will be in order.

We will consider S. 502.

(The bill reads as follows:)

[S. 502, 79th Cong., 1st sess.]

AN ACT To permit the continuation of certain subsidy payments and certain purchase and sale operations by corporations created pursuant to section 5d (3) of the Reconstruction Finance Corporation Act, as amended, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the last paragraph of section 2 (e) of the Emergency Price Control Act of 1942, as amended by the Stabilization Extension Act of 1944, shall not apply, with respect to operations for the fiscal year ending June 30, 1946, to corporations created or operations authorized to be performed pursuant to section 5d (3) of the Reconstruction Finance Corporation Act, as amended: *Provided*, That with respect to such corporations and such operations the making of subsidy payments and buying for resale at a loss for the purpose of maintaining maximum prices established pursuant to provisions of the Emergency Price Control Act of 1942, as amended and supplemented, shall be limited as follows:

(a) Payments or purchases may be made after June 30, 1945, in such amounts as may be necessary to fulfill obligations incurred prior to July 1, 1945, with respect to 1945 and prior fiscal year activities.

(b) Payments and purchases may be made with respect to operations for the fiscal year ending June 30, 1946, which involve subsidies and anticipated losses as follows:

(1) With respect to materials or commodities, other than rubber and rubber products, produced outside the United States, in an amount not to exceed \$80,000,000;

(2) With respect to rubber and rubber products produced outside the United States, in an amount not to exceed \$60,000,000;

(3) With respect to materials or commodities produced within the United States, as follows:

(A) Meat in an amount not to exceed \$560,000,000;

(B) Butter in an amount not to exceed \$100,000,000;

(C) Flour in an amount not to exceed \$190,000,000;

(D) Petroleum and petroleum products in an amount not to exceed \$290,000,000;

(E) Copper, lead, and zinc, in the form of premium payments, in an amount not to exceed \$88,000,000; and

(F) Other materials or commodities in an amount not to exceed \$100,000,000:

Provided, That in the event the entire amount of any of the above allocations is not required for its purpose, the unused portion of such allocation, but not to exceed 10 per centum of such allocation, may be used for making such payments on and purchases of any other item or items enumerated in this Act, as may be determined

by the Director of Economic Stabilization: *Provided further*, That the premium price plan for copper, lead, and zinc shall be extended until June 30, 1946, on the same terms as heretofore, except that all classes of premiums shall be noncancelable unless necessary in order to make individual adjustments of income to specific mines; and that the Metals Reserve Company shall purchase during the fiscal year ending June 30, 1946, at its 1944 price schedule, bauxite produced from such of the underground mines as supplied bauxite to the Metals Reserve Company during 1944 and in such quantities as the Bureau of Mines determines as being subject to permanent loss if not removed prior to June 30, 1946, but not to exceed, however, five hundred thousand long tons.

Passed the Senate March 15 (legislative day, March 12), 1945.

Attest:

LESLIE L. BIFFLE, *Secretary*.

We will hear first, Mr. Goodloe, general counsel of the Reconstruction Finance Corporation.

Have you a prepared statement, Mr. Goodloe?

Mr. GOODLOE. No; but I have some notes I would like to follow.

The CHAIRMAN. Would you rather make your statement without interruption and then be interrogated?

Mr. GOODLOE. Yes, please, sir.

The CHAIRMAN. I am sure the committee will accede to your request. You may proceed.

STATEMENT OF JOHN D. GOODLOE, GENERAL COUNSEL, RECONSTRUCTION FINANCE CORPORATION

Mr. GOODLOE. Mr. Chairman and gentlemen, when we appeared before the committee on March 26 with regard to the bill S. 502 as passed by the Senate with amendments on March 15, we explained briefly the purpose and objectives of the bill, and commented briefly—perhaps too briefly—on each of the allocations of funds provided therein. We also included in the record at that time rather detailed statements regarding the manner in which the meat, butter, and flour subsidy programs were initiated and administered as well as justifications for the estimates made as to each of them for the fiscal year ending June 30, 1946.

Similar information was also included with respect to the four separate programs with regard to petroleum and petroleum products; also similar information with respect to the premium price plan for copper, lead, and zinc.

At the conclusion of the hearings on March 26, several members of the committee indicated they would wish to go rather fully into the meat and butter subsidy program. Those programs, as well as the program on flour, the only three food products handled by R. F. C. or any of its subsidiaries, are by us functioned pursuant to directives issued by the Director of Economic Stabilization, on the recommendation of the Office of Price Administration.

I understand that representatives of the Office of Price Administration are here who, later, will, if desired, discuss those programs fully.

I would suggest, Mr. Chairman, if it is in order, that we defer consideration of the meat program until this afternoon or tomorrow when Mr. Brownlee, who is to appear this morning before the Senate Banking and Currency Committee, can be present.

The CHAIRMAN. Very well.

Mr. GOODLOE. As explained in the hearings on March 26, subparagraph (a) of S. 502, merely gives specific authority for the payment after June 30, 1945, with respect to obligations incurred prior to July 1, 1945, with respect to 1945 and prior fiscal year activities,

wherein the payment of subsidies and the purchase price of materials bought was fixed prior to July 1, 1945.

Administratively we have taken the position right along that the last paragraph of section 2 (e) of the Emergency Price Control Act, as amended, the so-called Taft amendment, did not prevent such payments, and Senator Taft was quite in accord with this view in the hearings held by the Senate committee on S. 502.

To make clear to the committee the type of situation we have in mind in connection with subparagraph (a), it might be well to use two illustrations:

First, as to direct subsidy payments: Take for example the copper, lead, and zinc premium price plan. Obviously, payments determined under existing regulations for a particular mine for its production for the month of June 1945, can neither be ascertained nor the claim filed, checked, or paid, until some time during the month of July.

As to purchases of commodities where there is an anticipated loss, there may likewise be situations where actual delivery was made on or before July 1, 1945, but for practical reasons payment could not and was not made prior to July 1, 1945.

Or, there would be other situations where delivery was to have been made prior to July 1, 1945, but because of circumstances beyond the control either of the buyer or the seller, was delivered a few days after July 1, 1945.

Subsection (a) is merely to make it clear that in that type of case, payment can be made notwithstanding the Taft amendment.

At this point, I would like to insert in the record two tables, one showing the direct payments to increase or maintain the production as of December 31, 1944, with estimated monthly expenditure as to each through June 30, 1945; that is, the balance of the current fiscal year, whereas this bill deals only with the fiscal year 1946, beginning July 1, 1945.

The other statement, likewise as of December 31, shows those purchase and sale programs which have resulted in a net loss of \$100,000 or more.

(The statements referred to are as follows:)

Direct payments to increase or maintain production, Dec. 31, 1944

Material or commodity	Date program began	Expenditures to date	Estimated monthly expenditure through June 30, 1945
Aluminum rod and bar.....	Feb. 16, 1943	\$542,891	(¹)
Bituminous coal.....	Jan. 28, 1944	165	(¹)
Refractory bricks.....	July 15, 1943	6,113	(¹)
Butter.....	June 1, 1943	117,007,829	\$6,500,000
Coal transportation.....	Jan. 1, 1942	39,345,134	1,000,000
Firewood.....	Apr. 12, 1944	801	10,000
Flour.....	Dec. 1, 1943	86,145,457	7,200,000
Meat.....	June 7, 1943	659,892,061	41,000,000
Nitrate of soda.....	Apr. 1, 1942	4,169,002	(¹)
Sodium bichromate.....	June 1, 1944	291,149	(¹)
Petroleum compensatory adjustments (net).....	Aug. 1, 1942	301,345,257	11,000,000
Stripper well—compensatory adjustments.....	Aug. 1, 1944	11,301,141	4,500,000
Sugar distribution.....	Apr. 1, 1942	24,973,233	(¹)
Texas timber salvage.....	June 14, 1944	60,000	30,000
Wood pulp.....	Apr. 13, 1943	2,236,569	125,000
Copper.....	Feb. 1, 1942	57,360,550	2,260,000
Lead.....	do.....	26,280,981	1,305,000
Zinc.....	do.....	79,130,569	3,110,000
Zinc (smelter).....	June 14, 1944	227,431	² 120,000
Ferrochrome.....	Sept. 30, 1944	-----	² 15,000
Tin scrap.....	Oct. 30, 1944	11,788	² 20,000
Total.....	-----	1,410,328,121	78,495,000

¹ None; program terminated.

² Through Mar. 31, 1945.

*Purchase and sale programs which have resulted in net losses of \$100,000 or more,
Dec. 31, 1944*

Material or commodity	Unit	Quantity acquired	Quantity disposed of		Net loss to date
			Losses from sink- ing, etc.	Sold	
Agave fiber.....	Pound.....	991, 574, 924	13, 166, 609	946, 329, 163	\$4, 637, 650
Aluminum rivets.....	Pound.....	11, 190, 799	44	10, 398, 343	1, 556, 176
Barbed wire.....	Pound.....	26, 978, 200		26, 978, 200	160, 546
Binder twine and rope.....	Pound.....	102, 958, 148	100	83, 681, 458	720, 817
Calcined petroleum coke.....	Short ton.....	97, 103		65, 472	509, 996
Cork.....	Metric ton.....	73, 244	618	60, 146	2, 435, 806
Istle fiber.....	Pound.....	91, 065, 392		69, 863, 811	197, 268
Jewel hearings.....	Each.....	11, 002, 266		5, 245, 316	1, 485, 465
Molasses.....	Gallon.....	694, 492, 171	2, 895, 852	623, 511, 601	16, 664, 691
Nitrate of soda.....	Short ton.....	1, 216, 136		1, 127, 366	4, 212, 995
Silk.....	Pound.....	8, 745, 040		7, 974, 884	273, 708
Stirrup pumps.....	Each.....	1, 282, 198	34	373, 862	677, 369
Sugar:					
Domestic.....	Short ton.....	95, 574		95, 574	400, 016
Cuban.....	Short ton.....	1, 980, 710		1, 980, 710	1, 983, 437
Tires and tubes.....	Each.....	26, 658, 583	35, 017	26, 599, 562	19, 715, 434
Alumina.....	Short ton.....	38, 021		38, 021	464, 608
Alundum—Primary.....	Short ton.....	546, 529		292, 654	20, 098, 354
Antimony ore.....	Short ton.....	49, 505	2, 821	37, 447	710, 705
Arsenic.....	Short ton.....	21, 428	28	7, 924	255, 243
Chrome ore.....	Short ton.....	1, 491, 432	12, 846	809, 828	4, 137, 891
Copper.....	Short ton.....	2, 312, 366	2, 005	2, 051, 705	11, 472, 189
Copper ore.....	Short ton.....	487, 752	1, 690	190, 429	1, 640, 725
Magnesium.....	Short ton.....	6, 998		6, 998	2, 716, 502
Mica.....	Pound.....	31, 839, 848	1, 334, 000	2, 941, 491	617, 568
Nickel.....	Short ton.....	27, 218		21, 314	4, 660, 467
Pig iron.....	Short ton.....	187, 906		187, 692	455, 981
Platinum.....	Ounce.....	95, 351		78, 213	307, 834
Tin.....	Short ton.....	154, 993	2, 240	133, 379	9, 501, 874
Tungsten ore.....	Short ton.....	106, 410	2, 402	48, 166	392, 917
Vanadium ore and vanadium.....	Short ton.....	22, 271		2, 445	1, 709, 505
Aluminum scrap.....	Short ton.....	12, 331		12, 318	1, 486, 115
Brass scrap.....	Short ton.....	9, 506		3, 275	296, 682
Copper scrap.....	Short ton.....	173, 966		159, 910	12, 857, 873
Nickel scrap.....	Short ton.....	10, 820		9, 804	834, 892
Steel scrap.....	Short ton.....	704, 216		643, 555	11, 696, 300
Tin cast metal.....	Short ton.....	10, 183		8, 711	307, 735
White metal.....	Short ton.....	1, 319		1, 282	216, 463
Brass and bronze valves.....	Each.....	118, 993		118, 993	212, 790
Oil country pipe.....	Short ton.....	38, 773		38, 773	162, 804
Total.....					142, 845, 391

NOTE.—The above figures do not include any losses which may be sustained by reason of the future sale of present inventories.

Mr. GOODLOE. It will be noted that the aggregate estimated monthly expenditure for those programs listed in the table of direct subsidy payments is \$78,495,000. As to the later table of actual losses incurred through December 31, 1944, with reference to purchase and sale programs, it would be quite impossible to submit an estimate of anticipated losses. In other words, our additional losses between now and June 30 next, under purchase and sale programs will relate to what we sell and the quantities we sell during that period and not to what we purchase or agree to purchase during that period.

As explained during the hearing on March 26, the approach taken by S. 502 with reference to purchase and sale programs for the fiscal year 1946 places the limitation on operations involving purchases on which losses are anticipated rather than the actual losses that may result from the ultimate sale of the materials or commodities purchased.

We know of no other practical approach, nor was any suggested by the Senate committee, to the problem of providing a dollar limitation as to losses with respect to purchase and sale programs on a fiscal year basis.

Item 1, under subparagraph (b) of the bill relates almost entirely to the operations of the Foreign Economic Administration, conducted through the United States Commercial Co.; and item No. 2, under subparagraph (b) relates to the operations of Rubber Development Corporation and Rubber Reserve Co.

Mr. Davidson, representing the Foreign Economic Administration, is present and at the conclusion of my testimony will be pleased, I am sure, to answer any questions the committee may ask in regard to item 1.

Mr. Johnson, of the Rubber Reserve Company, is present and will be glad to answer any questions the committee may desire to ask with respect to item 2.

Near the conclusion of the hearings on March 26, Mr. Wolcott indicated that he would like, to have a full explanation of those activities and operations covered by item F under subparagraph (b) (3) which provides for a limitation of a hundred million dollars with respect to subsidies and anticipated losses during the fiscal year ending June 30, 1946, as to materials and commodities other than those specifically enumerated in the earlier provisions of the bill.

Item F is intended to cover a large number of miscellaneous and small programs which might be affected by the Taft amendment as well as to provide some contingency for future programs of that character that might be recommended to us during the next fiscal year by the War Production Board or other appropriate agencies having responsibility for that phase of war production.

There has been prepared and distributed to each member of the committee a statement showing the full break-down with respect to the \$100,000,000 miscellaneous item shown under subparagraph (F), but unless the committee would insist upon it, we would prefer that that statement not be made a part of the record.

The first "Provided" clause in the bill is a so-called shift provision. It means that if the entire amount of any of the stated allocations is not used for its purposes, the unused portion but not to exceed 10 percent of the allocation, may be used for the making of payments on, or purchases of, any other item or items enumerated in the bill as may be determined by the Director of Economic Stabilization.

This was provided in order to have some leeway for unforeseen contingencies. It was felt, and the Senate committee agreed, that some flexibility within each of the stated limitations, but not to exceed 10 percent, was desirable.

The provision does not mean, of course, any increase in the total over-all dollar limitation imposed by the Congress on anticipated losses involving payments and purchases made with respect to operations during the fiscal year 1946.

The "Provided further" clause covers, first, a provision added by the Senate committee requiring Metals Reserve Company to continue without change the premium price plan for copper, lead, and zinc until June 30, 1946; and second, a provision added on the floor

of the Senate, but by way of committee amendment, which would require Metals Reserve Company to purchase, during the fiscal year 1946; at its 1944 price schedule, and from those underground bauxite mines that delivered bauxite to Metals Reserve during 1944, such quantities of bauxite as the Bureau of Mines determines to be subject to permanent loss if not removed prior to June 30, 1946, but not to exceed, however, in the aggregate, 500,000 long tons.

As the committee will no doubt recall, Mr. Charles P. Taft, assistant to the Assistant Secretary of State in Charge of Economic Affairs, appeared before the committee on March 26 in opposition to this provision. The premium price plan for copper, lead, and zinc was undertaken by Metals Reserve Company under the joint recommendation of the War Production Board and Office of Price Administration. Representatives of both agencies, I understand from the chairman, are present, and I would prefer that any questions the committee may have regarding either of those two provisions be directed to representatives of those agencies.

With regard to the provision, however, for the purchase of additional bauxite by Metals Reserve Company, I called attention on March 26, to the fact that that purchase program, like most purchase programs for critical and strategic materials, was undertaken on the recommendation of the War Production Board against the stock-pile objective; that the stock-pile objective has already been exceeded by something like 50 percent with the result that last December, on the recommendation of the War Production Board, many of the purchase contracts were terminated and no additional quantities of bauxite have been purchased by Metals Reserve since that time.

Now, unless there are some general questions, Mr. Chairman, that concludes my statement.

The CHAIRMAN. I believe this bill passed the Senate without a record vote?

Mr. GOODLOE. That is correct, sir. There is one thing I failed to say: At the March 26 hearing, you will recall, there was an acute situation with respect to flour, and the committee saw fit, in view of the delay on the balance of the bill, to report out a separate bill on flour, H. R. 2775. No action has as yet been taken by the Senate or the Senate committee with reference to that bill, and presumably will not be, and for that reason, I hope the committee will proceed as rapidly as possible with the over-all bill, leaving flour in as was originally contemplated.

Mr. GAMBLE. Are we still in an emergency?

Mr. GOODLOE. It is certainly an emergency, sir.

Mr. GAMBLE. I heard yesterday they had not passed the bill and I thought that was quite necessary at the time.

The CHAIRMAN. That is the way it was represented to us, that it was an emergency of great importance. That is the reason we passed it. Does the Senate intend to take no action on that?

Mr. GOODLOE. I do not know, sir. We had taken the position, as I explained on March 26 and announced to the trade, that under the Taft amendment, without additional legislation, we could not pay the flour subsidy on any flour ground after June 30, and by reason of the provision with reference to forward sales that meant that a good many mills that had sold forward anything like an amount of flour equal to their grinding capacity between now and June 30 were not

in a position to take on new business. It was our understanding, also, at the same time, and I believe the Under Secretary of War addressed a letter to you to that effect, Mr. Chairman, that that situation was interfering rather seriously with a substantial flour-procurement program that the War Department desired to put through right away.

Mr. KILBURN. Do you know why the Senate did not act on it?

Mr. GOODLOE. No, sir; I do not.

Mr. PATMAN. Probably the situation changed to the extent it was not so urgent in the past year. Has the situation changed, Mr. Goodloe?

Mr. GOODLOE. Not so far as I know.

Mr. PATMAN. As far as you know, it is still just as critical as it was when you came here before?

Mr. GOODLOE. Yes, and I might say——

Mr. PATMAN. Well, if we pass this bill the other bill will be unnecessary, will it not?

Mr. GOODLOE. That is correct, sir. I might say, as Mr. Monroney pointed out at the hearing on March 26, in many of these other items, time is now quite important.

The CHAIRMAN. Well, I suppose it would be advisable now to consider the bill as it is presented irrespective of what we have done with regard to flour?

Mr. GOODLOE. I think that is quite desirable, sir.

Mr. GAMBLE. Except, Mr. Chairman, that if we pass this bill this way, and the Senate passed the flour bill, they would have twice as money as they needed.

The CHAIRMAN. I assume the Senate is not going to pass on the bill if they have not acted on it so long after we have passed the bill. That would be an unusual procedure, so I think the thing to do would be to consider this bill with the flour section in it.

What has been done with reference to the meat situation?

Mr. GOODLOE. The meat situation?

The CHAIRMAN. Yes.

Mr. GOODLOE. Well, there have been several changes since we were here last and since the Senate hearings. I suggested a moment ago that we perhaps take up the other aspects of the bill and defer meat until this afternoon or tomorrow when Mr. Brownlee, of O. P. A., could be present, if that is satisfactory to the committee.

The CHAIRMAN. All right. Mr. Brown, do you desire to interrogate the witness?

Mr. BROWN. I notice you have an item here for Defense Supplies Corporation, \$26,500,000, and Metals Reserve Company, \$73,630,000, and those two other items here on the confidential statement, the Defense Supplies Corporation and the Metals Reserve Corporation; that is a subsidy, is it?

Mr. GOODLOE. No, sir; that includes losses under purchase and sales programs.

Mr. BROWN. Well, I know, but that is a subsidy. It is losses, but it is a subsidy. The Government loses that much money, does it not?

Mr. GOODLOE. It is within the Taft amendment, and whether you consider it a subsidy or not——

Mr. BROWN. Well, I know, but the Government loses that much money?

Mr. GOODLOE. That is correct.

Mr. BROWN. That is estimated for the coming year?

Mr. GOODLOE. Yes, sir.

Mr. BROWN. What were the losses on these two last year?

Mr. GOODLOE. We do not have it by years. I included in the record a statement showing: First, the direct out-of-pocket-subsidy payments as of December 31, 1944, with an estimate for the additional payments up to June 30 next, and then a separate statement showing the total net loss, by commodities, from the inception down to December 31, 1945.

Mr. BROWN. I know, but you estimate the losses this year will be these two amounts; is that right?

Mr. GOODLOE. Yes, sir.

Mr. BROWN. Well, now, of course, if the war ends in Europe, they will not need all this money, will they?

Mr. GOODLOE. As I explained before, Mr. Brown, the estimate of losses with respect to purchase and sale programs is an estimate of the anticipated loss at the time the purchase and sale program is entered into and not an estimate as to what the actual loss may be upon the ultimate resale of the commodities.

In other words, under the Taft amendment, we are compelled to go on a fiscal year basis for losses both in direct subsidies and purchase and sales programs.

Now, as to purchase and sales programs, whether you are speaking of the period between now and June 30, 1945, or whether you are speaking of the period June 30, 1945 to June 30, 1946, the only way we can apply that is to put it on a basis of the estimated amount of loss at the time the purchase is made or authorized. In other words, the losses that we take, between now and June 30, will have a direct relationship to what we sell between now and June 30, and the price we get, and have no relationship whatever to what we buy between now and June 30 and what we pay for it.

Mr. BROWN. Well, now, do not misunderstand my question because if you need this amount of money, why, I want you to have it. Do you think you will need it; if you think you need it, I want you to have it. I know you would not spend it unless it is necessary. But for the benefit of the committee, it just occurred to me that your calculations were based on the continuation of the war in Europe for another year, and on that basis, I think we could save some of this money.

Mr. GOODLOE. Well, I believe, sir, that this is the maximum outside figure we will need for the fiscal year 1946 if we continued on the current basis.

Mr. BROWN. Of course, you estimated on the war running in Europe as well as in the Pacific, as I understand it?

Mr. GOODLOE. That is right, and you can be sure that if it is not needed, it will not be spent.

Mr. BROWN. I heard some complaints made in the committee on hard wheat and soft wheat at the last hearing. I do not know enough about it to ask you any intelligent questions on it; perhaps you might expand on that a little bit. The complaint is that you make a difference between the two classes of wheat.

Mr. GOODLOE. I believe, sir, that is a question that someone from O. P. A. should discuss.

Mr. BROWN. I believe that was brought up by one of the other members of the committee.

Mr. FOLGER. Will you yield?

Mr. BROWN. I yield.

Mr. FOLGER. Some one from O. P. A. indicated that that disparity or difference in payment does not obtain at this time and it satisfied us temporarily, although I will say not permanently——

Mr. GOODLOE. That is my understanding, sir, that at the present time they are substantially the same.

Mr. FOLGER. Yes; that is what we were told at the time, as I understand it.

Mr. GOODLOE. We are paying one rate, as I understand it, on all wheat in the East and another on all wheat west of the Rockies, but at the moment, the two rates are substantially the same.

Mr. FOLGER. That was the statement that I understood had been made here. I may say, in this connection, that when we do reach it, I would like to have that made definite, because it is my understanding that changes have been made which have worked a hardship on soft-wheat producers. That will come, as you suggest, from the O. P. A.?

Mr. GOODLOE. Yes; I believe that will come from the O. P. A. representatives; yes, sir.

The CHAIRMAN. Mr. Crawford, do you have any questions?

Mr. CRAWFORD. Mr. Goodloe, I would like to ask a few questions about some of these items. Now, we are continuing to purchase natural rubber from Latin American countries, are we not?

Mr. GOODLOE. Yes, sir.

Mr. CRAWFORD. What other countries are generally involved in that item No. 1?

Mr. GOODLOE. I would like for Mr. Johnson, from the Rubber Reserve Company to answer that.

Mr. CRAWFORD. Make this very brief. We just want to get it.

Mr. JOHNSON. We are importing rubber, sir, from the Latin-American countries, and in addition from Africa, including Liberia, and from Ceylon and India. Those are the only sources at the present time.

Mr. CRAWFORD. Now, we made quite an investment in—was it Haiti?

Mr. JOHNSON. Yes; Haiti. Yes; that was a type of rubber called cryptostegia.

Mr. CRAWFORD. Was that abandoned?

Mr. JOHNSON. Yes, sir; about a year ago.

Mr. CRAWFORD. Would you care to say roughly what that cost us?

Mr. JOHNSON. The gross expenditures were in the order of \$6,000,000.

Mr. CRAWFORD. \$6,000,000, did you say?

Mr. JOHNSON. Yes, sir.

Mr. CRAWFORD. And it was impractical from the standpoint of the cost of the ultimate product, was it?

Mr. JOHNSON. Yes; both the planting and the cultivation, and the collection of the rubber proved unfeasible.

Mr. CRAWFORD. Now, did we leave a considerably disturbed economy down there in Haiti as a result of the acquisition of those lands and throwing out the usually grown crops?

Mr. JOHNSON. It is a little too early to say, I think. We have been liquidating that project for the past several months and we have made every attempt to cause as little dislocation in the Haitian economy as we can as a result of that abandonment.

The Haitian Government has arranged to take over a part of the assets and to salvage them for some other economic use.

Mr. CRAWFORD. Now, then, the remarks we have been making here should have been directed to subparagraph 2, I believe, instead of 1: "With respect to rubber and rubber products produced outside the United States."

Mr. JOHNSON. Yes, sir.

Mr. CRAWFORD. I misread this, then; so, then, the \$80,000,000 are with respect to commodities other than rubber and rubber products produced outside of the United States. Mr. Goodloe, have you in your presentation briefly outlined what some of those are?

Mr. GOODLOE. No, sir; I have not. As I explained, that almost entirely relates to the activities of the Foreign Economic Administration conducted through the U. S. Commercial Company and the representatives of F. E. A. are here and will explain that portion of it.

Mr. CRAWFORD. Now, one other question on this rubber. Would you care to tell the committee anything about the adequacy or inadequacy of the synthetic rubber program at the present time; in other words, what is the bottleneck in that if any?

Mr. JOHNSON. There is no bottleneck in the production of synthetic rubber, sir. The production of synthetic rubber has at all times been adequate to meet the military requirements of the war program. The actual production of synthetic rubber last year was approximately 760,000 tons.

The production for this year is scheduled at 985,000 tons, and the projected production for 1946 is a million two hundred thousand tons, which is more than the whole world ever consumed in natural rubber in any year prior to the war.

The rubber has been, as I say, available. The bottle neck in the rubber picture is principally with respect to rayon tire cord and also, to a large extent, with respect to carbon black, both of which are needed in making tires, principally heavy-duty tires from synthetic rubber.

Mr. BROWN. Will you yield, Mr. Crawford?

Mr. CRAWFORD. Yes; in just a minute.

Then, would it be fair to say that the shortage of carbon black is tremendously interfering with the production of tires from synthetic rubber?

Mr. JOHNSON. I should say that that is so to a far less extent than with respect to rayon cord.

Mr. CRAWFORD. I see. In other words, you need the two?

Mr. JOHNSON. That is right.

Mr. CRAWFORD. To move the synthetic rubber into finished tires you need the rayon cord and the carbon black?

Mr. JOHNSON. Plus the tire-fabrication capacity.

Mr. CRAWFORD. Yes.

Mr. JOHNSON. It amounts to this if you had the tire plants you probably would not have the rayon cord and carbon black, and if you had the two you would not have the plants, so there is a shortage of all three at the present time which is being corrected as fast as possible.

Mr. CRAWFORD. I yield to Mr. Brown.

Mr. BROWN. You have brought out that we cannot get tires because of the carbon black. You say that is the chief reason. I do not understand—

Mr. CRAWFORD. I think there has been more publicity to the effect that that is the problem than the shortage of this rayon cord which you refer to. I think it is important to get one or two of these facts before the committee at least, because I was not too well informed.

Mr. BROWN. Why would there be a shortage of rayon cord?

Mr. CRAWFORD. I was going to ask our friend here if he cared to give us a very brief statement as to why the shortage of rayon cord, and why the shortage of the carbon black—is it due to manpower in those respective fields primarily, or what is the trouble?

Mr. JOHNSON. As to rayon cord, sir, I understand the shortage is attributable entirely to the increased demands for rayon cord and the lack of production capacity.

A synthetic rubber tire, as you probably understand, has a higher heat build-up than a natural rubber tire, and cotton cord disintegrates when it becomes hot. It has been necessary to use a tremendously increased quantity of rayon cord for that purpose which had no peacetime place whatever, and that demand, coupled with other wartime demands for rayon cord, have exhausted the available production supply.

Mr. CRAWFORD. On that particular point you just developed, I want to ask you one question, because the committee will be interested in it in that it applies so directly to some of O. P. A.'s operations which we will have to review shortly.

Are you sufficiently familiar with that technical problem you just mentioned there, to tell this committee the approximate life of a heavy truck tire of synthetic rubber with rayon cord, carbon black, as compared to the old-style natural rubber heavy truck tire based on the actual experience of the companies now operating the trucks over the highways in interstate commerce?

Mr. JOHNSON. Well, the tests on that, sir, have shown considerable variance. I should say that the average result would be in the order of 70 percent. By that I mean that a heavy-duty truck tire produced from synthetic rubber, which includes, of course, approximately 30 percent crude rubber content at the present time, would give results in the order of about 70 percent of a pre-war, all-natural-rubber tire.

Mr. CRAWFORD. I think that is a fair statement.

Now, are you familiar with the dollar cost of that present synthetic tire as compared to the dollar cost of the tire which gave 30 or 40 percent more service?

Mr. JOHNSON. No, sir; I think the O. P. A. representatives could answer that better. It is more in their field. I might say, however, that the scheduled prices for tires are, as nearly as possible, the same as those which prevailed prior to the initiation of the O. P. A. price ceilings. In other words, the O. P. A. has striven to maintain the pre-war level of prices on tires, and the differential in cost has been absorbed to some extent in the price of rubber which is made available by Rubber Reserve Company to the rubber manufacturing industry. Therefore, it is a little difficult to state the actual costs, giving consideration to all elements, starting with the rubber and going on through to the tire, would be.

Mr. CRAWFORD. What I had reference to—and we can develop this from O. P. A.—was where O. P. A. in defense transportation sets the

price which will be charged by truck companies for their service, said prices being very closely related to the tariffs which existed before this tire trouble developed, and the decreased mileage of tires being a big cost item in the trucks operating on the highways, decreased mileage of the synthetic tire, and the increased dollar cost of that tire to the truck consumers—I am not talking about the manufacturing cost, but the retail cost to the truck consumers—have thrown the total costs of operation of the truck companies to such a point that if you have occasion to do so, you look at the operating statements of some of the large companies, and have them show you exactly what has happened to their costs of operation and what has happened to their operating accounts and what has happened to their balance sheets and profit-and-loss accounts.

I have seen some just recently and it is one of the most amazing things I have ever seen in American industry incident to this very fact that you developed here a moment ago. And, of course, the truck companies cannot do anything about it, because O. P. A. does not permit them to increase their tariff to accommodate those increased tire costs, which are direct costs of operation. As a result, their surpluses are being dissipated and from 15 to 30 percent of the equipment is idle in the garages and the public, Army, and civilians are without the service of these trucks. It is another illustration of where O. P. A. has a staggering control over transportation.

Now, on the item——

Mr. OUTLAND. Mr. Crawford, before leaving the rubber subject, would you yield for a question?

Mr. CRAWFORD. Yes, sir.

Mr. OUTLAND. Thank you.

I wonder, Mr. Johnson, in this whole rubber picture, if you would care to comment on the place guayule has taken in the American picture.

Mr. JOHNSON. The guayule rubber production has increased considerably since the war started. We expect to import from Mexico this year approximately 11,500 tons of guayule rubber which will constitute a little more than 10 percent of our total importation for this year.

In addition, the Department of Agriculture has conducted the so-called experimental guayule rubber project in Salinas Valley, Calif., and that has reached a point where the guayule shrub is about ready to be harvested.

Mr. OUTLAND. Well, some of it has been harvested?

Mr. JOHNSON. Yes; and consideration is being given now to the best methods of harvesting and milling the maximum quantity of guayule rubber out there so as to get the greatest amount of rubber before 1946, because this is the most critical period.

Mr. OUTLAND. Is it your opinion that guayule, which is now being produced out there, should be harvested as soon as possible?

Mr. JOHNSON. Yes, sir; it is the opinion of Rubber Reserve Company, which has been asked to study the problem, that all steps should be taken to harvest the greatest quantity of guayule possible, as quickly as possible, in order to get the greatest quantity of guayule rubber before 1946, because this is the most critical period since the war started as far as natural rubber is concerned.

Mr. OUTLAND. Mr. Crawford asked you a question a moment ago about the reasons for the bottlenecks. Has one of the reasons been

that there has been an inadequate amount of natural rubber to mix with the synthetic in the making of tires?

Mr. JOHNSON. Yes, sir; that is the root of the whole problem. If we still had sufficient quantities of natural rubber to make an all natural rubber truck tire, there would not be any difficulty so far as performance is concerned. A large part of the problem has been the conversion over from natural rubber to synthetic rubber in producing heavy duty truck tires because of technical difficulties, such as heat build-up and so forth.

Mr. OUTLAND. And guayule has been particularly effective in that connection?

Mr. JOHNSON. Yes; guayule rubber is a natural rubber and except for its high resin content, which can be overcome by blending it with other types of rubber with a lower resin content, guayule rubber can be used interchangeably to replace any other kind of natural rubber in making a tire, so that the amounts of guayule rubber that have been available during the war period have been very valuable for use in combination with synthetic.

Mr. OUTLAND. Thank you very much. Thank you, Mr. Crawford.

Mr. CRAWFORD. In other words, an adequate supply of natural rubber would make unnecessary the rayon cord of which there is a shortage?

Mr. JOHNSON. Yes, sir.

Mr. CRAWFORD. Mr. Goodloe, do you leave the thought that we should specifically take up with the O. P. A. witnesses the momentary policies on the \$560,000,000 related to meat?

Mr. GOODLOE. Yes, sir.

Mr. CRAWFORD. All right.

Mr. GOODLOE. As a matter of fact, I suggested the advisability in view of Mr. Brownlee's inability to be here this morning that that be deferred with and that the committee go ahead with the F. E. A., War Production, and Bureau of Mines, in respect to the other items and take up the meat and other items this afternoon or tomorrow.

The CHAIRMAN. I think in the interests of orderly procedure, we should direct our interrogation to the witnesses on the stand, because all of the other witnesses who are going to testify on the specific sections of the bill will be here.

Now, if we bring a witness from the audience and interrogate him now, he would have to be interrogated again, and while this testimony has been very interesting, I think we should confine our remarks to the witness that is on the stand, with the assurance that the Bureau of Mines, the War Production Board, the Director of Economic Stabilization, and the other departments interested, are going to be here.

Mr. CRAWFORD. One other question, Mr. Chairman.

Item D, page 3, petroleum, \$290,000,000; that is the subsidy we are using in lieu of granting the increase in the price of petroleum products, is it not? Here some months ago, a year and a half perhaps—

Mr. GOODLOE. Yes, sir.

Mr. CRAWFORD. There was a great drive to have the price of petroleum products advanced, and I believe that was denied, and the subsidy was established, as I understand it.

Mr. GOODLOE. All of that, sir, except the item for the stripper well subsidy, is extraordinary transportation cost to moving petroleum products.

Mr. CRAWFORD. That is your \$290,000,000?

Mr. GOODLOE. \$290,000,000 less the \$75,000,000 stripper well subsidy which is a production subsidy.

Mr. CRAWFORD. That stripper well and extraordinary transportation cost is \$290,000,000?

Mr. GOODLOE. Yes; the entire \$290,000,000, with the exception of the \$75,000,000 for the stripper well program, which is a production program, is all for extraordinary transportation costs.

Mr. CRAWFORD. That is all I have.

The CHAIRMAN. Mr. Patman, do you have a question?

Mr. PATMAN. Are you getting any rubber from the Dutch East Indies, now?

Mr. JOHNSON. No, sir. None of the Dutch rubber producing areas in the Far East has yet been reoccupied.

Mr. PATMAN. I believe though the chairman suggested we not interrogate the witness on the stand on a subject with which he is not familiar.

The CHAIRMAN. I think that is the way it should be, because these witnesses will be on the stand.

Mr. PATMAN. I am not objecting.

The CHAIRMAN. Well, we will proceed.

Mr. GOODLOE. I was not suggesting, Mr. Chairman, that you ask other witnesses other than the one on the stand; I was suggesting that when you finish with the witness on the stand you put somebody else on the stand to testify as to the portion of the bill that affects them.

The CHAIRMAN. You are an agency to carry out the policies of the various administrative agencies and they ought to testify as to the causes for the subsidies, as to how they are used. You know the practical matter of how much you have expended and where you have expended it. I think we ought to have the other witnesses testify as to details.

Mr. Gamble, do you have any questions?

Mr. GAMBLE. Mr. Goodloe, who would testify as to the item on page 2, subdivision (a)?

Mr. GOODLOE. I have done so, sir, at considerable length.

Mr. GAMBLE. That is only the question I have on that, Mr. Chairman.

The CHAIRMAN. Mr. Folger, do you have a question?

Mr. FOLGER. No questions, Mr. Chairman.

The CHAIRMAN. Dr. Smith, do you have any?

Mr. SMITH. No questions.

The CHAIRMAN. Mr. Hays, any questions?

Mr. HAYS. Mr. Goodloe, I suppose the testimony pertaining to the bauxite item will be covered by the Bureau of Mines and others? You have nothing to add, have you?

Mr. GOODLOE. You may not have been here when I explained that that purchase program was undertaken by us on the recommendation of W. P. B. against the stock-pile objective, which had been exceeded by about 50 percent, and that last December, at the recommendation of the W. P. B., certain purchase contracts were terminated and no

additional quantities have been purchased since then, and that this presented a matter that I thought the Bureau of Mines and the War Production Board ought to explain.

Mr. HAYS. That was my understanding. Thank you. That is all I have, Mr. Chairman.

The CHAIRMAN. Mr. Kilburn, do you have any questions?

Mr. KILBURN. I have no questions.

The CHAIRMAN. Mr. Outland, do you have any at this time?

Mr. OUTLAND. No questions, Mr. Chairman.

The CHAIRMAN. Mr. Buffett, any questions?

Mr. BUFFETT. I have nothing.

The CHAIRMAN. Mr. Thom, any questions?

Mr. THOM. With respect to this \$60,000,000 rubber loss, do I understand the testimony to be that we are supplying rubber to manufacturers at less than cost and that they in turn are using this rubber in the manufacture of tires?

Mr. GOODLOE. Mr. Johnson has a statement on that he would like to make for the record.

Mr. THOM. All right. I will pass, then.

The CHAIRMAN. Mr. Hull, do you have any questions?

Mr. HULL. Just one question, regarding section (b) on page 3, which states that the principal cost was \$215,000,000, transportation cost. To what does that transportation subsidy refer? Does that include fuel oil alone, or gasoline also?

Mr. GOODLOE. There are three separate transportation programs on petroleum. At the March hearing, we included in the record exhibit C from the Senate committee hearings which gives a breakdown on that.

The principal one is an estimate of \$150,000,000 for extraordinary transportation cost of moving petroleum and petroleum products into the Atlantic Seaboard States.

Another one has reference to the movement of petroleum and petroleum products from certain sections in the West into district 1 and district 2.

The third is a movement of crude oil from west Texas to California, which is almost entirely occasioned by the large military demands for fuel oil in the Pacific.

Mr. HULL. Part of this transportation cost represents the difference between shipping by tanker and shipping by freight, is that correct, in the Eastern States?

Mr. GOODLOE. That is correct, sir.

Take the actual cost of movement today, and take from that the normal cost, and we pay the difference as a subsidy.

Mr. HULL. What States in particular does that subsidy apply to? Just the seaboard States?

Mr. GOODLOE. Well, it does not apply, sir, to States at all. It applies to the movement of petroleum and petroleum products from one district into another.

Mr. HULL. Take the case of the Middle West. We are still paying the same freight rate as pre-war, with possibly an increase of 6 percent. None of that subsidy is paid to reduce freight rates to consumers in the Middle West, is it?

Mr. GOODLOE. Well, under petroleum compensatory regulation No. 5, the refiners are compensated for the extra cost involved in shipping

crude oil by tank cars and barges from points in district 3 and certain Wyoming points, to points in district 4 and other destinations approved in district 2 by the Petroleum Administrator for War.

Mr. HULL. Is any of this subsidy paid to Minnesota or Wisconsin? Do the consumers there get any benefit?

Mr. GOODLOE. They do for any abnormal movement of petroleum.

Mr. HULL. Otherwise, they pay the same rate that was paid before the war, and that was a much higher rate than they got for tanker shipping?

Mr. GOODLOE. That is correct.

Mr. HULL. That is all.

Mr. GOODLOE. In other words, this whole petroleum compensatory adjustment program, as far as petroleum was concerned, was only intended to absorb the abnormal cost caused by the war.

Mr. HULL. In methods where the costs were higher and there they have had no benefit of the subsidy. It is only the States where they get a much lower rate by carrying by rails. That is correct, is it not?

Mr. GOODLOE. That is correct; yes, sir.

Mr. HULL. That is all, Mr. Chairman.

The CHAIRMAN. Mrs. Woodhouse, do you have any questions?

Mrs. WOODHOUSE. No questions, Mr. Chairman.

The CHAIRMAN. Mr. Buffett.

Mr. BUFFETT. Mr. Chairman, may I ask a question. I passed, but I would like to ask a question.

The CHAIRMAN. Go ahead, Mr. Buffett.

Mr. BUFFETT. I read a few days ago that one of the great copper companies in Canada, Noranda, had had its contract to supply copper to the British Ministry of Supply terminated in January, which indicated that they were lessening their demand, and that that copper was now coming into this country. Can you give any idea or do you know about any plans to cut back on our own subsidy and supply program along that line? Maybe this is not a proper question for you.

Mr. GOODLOE. I have no information, sir, about the specific case. We have had, so far as our own procurement contracts for copper are concerned, no cut-backs in the Metals Reserve Company.

Mr. BUFFETT. Well, that was the information I was interested in. Thank you.

The CHAIRMAN. Mr. Hoch, do you have any questions?

Mr. HOCH. I have no questions, Mr. Chairman.

The CHAIRMAN. Mr. Brumbaugh, do you have any questions?

Mr. BRUMBAUGH. Do you have any idea how much of this subsidy will be eliminated providing the war ends in Germany within the next month, for the fiscal year, that is?

Mr. GOODLOE. I have no estimate of that, sir, and I would think there would be some reduction, but I would not think there would be any reduction in the larger items there.

In other words, I would expect the impact of prices on the stabilization program would be as great, if not greater, for a short period after the termination of hostilities in Europe than it is today. Now, on some of the programs that we have undertaken, at the recommendation of the War Production Board, I should think there would be drastic curtailment in the event of cessation of hostilities in Europe.

Mr. BRUMBAUGH. Let me ask you another question. Are we getting any crude rubber through Russia that might be coming through Japanese sources?

Mr. GOODLOE. No, sir.

Mr. BRUMBAUGH. Thank you.

The CHAIRMAN. Mr. Riley, do you have any questions?

Mr. WILEY. Mr. Goodloe, are we going to have any further statement on this section (d) on page 3, on petroleum? Will somebody go into that a little more fully later?

Mr. GOODLOE. That was covered rather fully, sir, at the March 26 hearing, and full detail as to all four of the programs that are embraced by that figure was in the record. I did not repeat that this morning.

Mr. RILEY. That is all right, I will get that from the record, thank you.

The CHAIRMAN. If there are no further questions, you may stand aside, Mr. Goodloe. Who is the next witness?

Mr. DAVIDSON. My name is Alfred E. Davidson and I am general counsel of the Foreign Economic Administration. I have a short statement I would like to read.

The CHAIRMAN. Do you desire to read it without interruption?

Mr. DAVIDSON. Whatever is the wish of the committee.

The CHAIRMAN. Very well, you may proceed.

STATEMENT OF ALFRED E. DAVIDSON, GENERAL COUNSEL, FOREIGN ECONOMIC ADMINISTRATION

Mr. DAVIDSON. I wish to thank the members of the committee for this opportunity to appear and testify on S. 502, as passed by the Senate.

Our armed forces are today achieving ever greater victories against the enemy. Without the materials which the Foreign Economic Administration has procured in foreign countries and imported into the United States, it would not have been possible for us to produce the quantity and the quality of weapons that were necessary to give our fighting forces that superiority in equipment which has contributed so greatly to these victories.

Our radio and radar production depend upon quartz crystals from Brazil and mica from India and Brazil. Tin from Bolivia, lead from Mexico, copper from Chile, and nickel from Canada and New Caledonia, in addition to numerous other metals which have to be imported to meet the demands of war, go into our guns, tanks, and ships. Marine engines are lubricated with rapeseed oil, and babassu oil, derived from the babassu nut, is used for hydraulic brake fluid in airplanes and as a plasticizer. Both come from South America.

Besides their use in forging weapons for the destruction of the enemy, many of the commodities which the Foreign Economic Administration procures abroad are used to produce equipment and lifesaving devices to protect our fighting men. Antimony from Mexico, China, and Peru is used to fireproof canvas for the Army. Newly developed sources of supply in Central and South America have yielded increased quantities of balsa wood for the construction of floats and life rafts for the Navy. Hides and skins from many countries have been used in the manufacture of articles of clothing for all our fighting forces.

These are but a few of the commodities which the Foreign Economic Administration procures abroad for our war effort. There are many others of equal importance which we lack entirely or do not have in sufficient quantity in the United States and which must be procured abroad.

The War Production Board and the War Food Administration determine the need for procuring these materials. Under the Executive orders which created the Foreign Economic Administration and its predecessor agencies and defined their functions, the Foreign Economic Administration is responsible for executing directives from the War Production Board and the War Food Administration or both jointly as to quantities, specifications, and delivery time schedules of materials and commodities which must be imported for the war effort. In the exercise of this authority, commodities are imported into the United States duty-free under Executive Order 9177.

Representatives of the Foreign Economic Administration have gone to almost every country in the world not under enemy control to find sources of supply and to arrange for procurement. In many instances, special arrangements have to be undertaken in order to start new production or to stimulate or to expand existing production. In some cases, sources of supply which ordinarily would not be resorted to, because of factors which make their working uneconomical, must, nevertheless, be exploited to meet the demands of war. On occasions, capital advances have to be made, special engineering and other services arranged, and special equipment supplied. These devices, which are at times necessary to facilitate procurement, add to the cost of procurement, as does the increase in the cost of transportation due to hazards and risks of war. In addition, most countries have not instituted price-control systems such as we have in the United States. Many of the materials we seek are in short supply and the demand for them is urgent. Prices for these commodities have in many cases risen above the prices which would have been normally asked or above the price ceiling on similar items in the United States.

Every effort is constantly exerted to keep the cost of procurement as low as possible, a task which, in many instances, is at best a most difficult one. Despite the many circumstances which tend to increase the cost of procurement in a world at war, the losses involved in the Foreign Economic Administration's foreign procurement program are comparatively small. In a procurement program estimated to total almost \$1,004,000,000 for the fiscal year 1946, it is anticipated that losses to be incurred in order not to exceed ceiling prices, including development costs and direct administrative expenses in the field, will total approximately \$70,000,000.

S. 502, as passed by the Senate, will make possible the continuation in the fiscal year 1946 of that part of our foreign procurement program affected by the last paragraph of section 2 (c) of the Emergency Price Control Act of 1942, as amended. The last paragraph of that section provides that no Government corporation shall make any subsidy payments or buy any commodities for the purpose of selling them at a loss after June 30, 1945, unless the money required for such subsidies or sale at a loss has been authorized by the Congress for such purposes.

The Foreign Economic Administration procures those materials which the War Production Board and the War Food Administration have directed it to obtain from abroad through the United States Commercial Company, a corporation created pursuant to section

5d (3) of the Reconstruction Finance Corporation Act, as amended, and in those cases where losses are sustained the company bears them. In order to continue to execute the directives for the procurement abroad of materials vital to the war effort in cases where the sale of such materials will require the absorption of losses in order not to exceed ceiling prices, authorization from the Congress is now necessary. S. 502, as passed by the Senate, provides the requisite authority.

Subparagraph (1) of subsection (b) covers the activities of the Foreign Economic Administration. That subsection limits subsidy payments and purchases for sale at loss to maintain ceiling prices, in the case of materials and commodities other than rubber and rubber products which are produced outside of the United States, to \$80,000,000. The \$10,000,000 in addition to the \$70,000,000 previously indicated provides for foreign operations of 5d (3) corporations other than the Foreign Economic Administration's corporations.

As long as the war continues in Europe, and then in the Far East, the United States will have to continue importing many of the materials it has been bringing in to maintain necessary war production. New weapons, which may be developed, may require new materials to be procured or the importation in greater quantities of materials which are being procured now. As the armed forces of the United Nations liberate new areas, additional foreign sources of supply will become available and will have to be used. Despite efforts to keep the cost of procurement as low as possible, it will be impossible to meet the procurement schedules of the War Production Board and the War Food Administration at costs which will not involve losses on some commodities in view of ceiling prices.

S. 502, as passed by the Senate, will permit such losses to be incurred and thus assure the uninterrupted flow to the United States from foreign sources of materials vital to the war effort.

The CHAIRMAN. Mr. Wolcott, do you wish to interrogate the witness?

Mr. WOLCOTT. Mr. Davidson, can you give us a break-down of the number of commodities on which we will pay subsidies or buy and sell at a loss under this bill, to foreign countries under lend-lease?

Mr. DAVIDSON. I am not sure I understand your question, Congressman.

Mr. WOLCOTT. The Foreign Economic Administration handles lend-lease, does it not?

Mr. DAVIDSON. Well, the F. E. A. procures abroad materials—

Mr. WOLCOTT. No, what I am getting at is the amount of material procured here at home for delivery abroad under the lend-lease agreements.

Mr. DAVIDSON. I do not have them with me, but I could give you figures showing the cost of raw materials supplied to foreign countries under lend-lease.

Mr. WOLCOTT. I am not interested in raw materials alone. I want a break-down of all of the materials on which we would pay subsidies or buy and sell at a loss under this bill, that are delivered to foreign countries under the lend-lease agreement. For example, how much meat do we send abroad under lend-lease agreements? How much butter do we send abroad under lend-lease agreements? How much flour, petroleum, and so forth? Do you have the bill there with you?

Mr. DAVIDSON. Yes, sir; I have the bill. I do not believe I can give you, offhand, the figures on our lend-lease shipments of commodities on which subsidies are paid. I understand that that is your question.

Mr. WOLCOTT. Yes.

Mr. DAVIDSON. But I can get them and submit them for the record.

Mr. WOLCOTT. The articles mentioned in section 1 (b) 1, 2, and 3 of the bill are the ones in which I am particularly interested, and also under (F) on page 3, whether you are sending any other articles, or anticipate sending any other articles abroad under paragraph (F) on page 3, where it authorizes \$100,000,000 for other materials and commodities.

Mr. DAVIDSON. Yes, sir; I will submit that and insert it in the record.

(The information referred to is as follows:)

Principal commodities under S. 502 exported in 1944 under the Lend-Lease Act

	Unit	Quantity	Percent of United States supply
Tires and tubes	(1)	(1)	5.4
Reclaimed rubber	Short tons	2,661	1.1
All meats ²	Million pounds	1,724	6.8
Beef and veal ²	do	74	.7
Pork ²	do	1,585	11.9
Lamb and mutton ²	do	65	6.5
Butter	do	82	4.1
Wheat and wheat products ³	do	1,092	.6
Petroleum products	Thousand barrels	167,132	9.3
Copper and brass	Short tons	331,642	8.7
Lead	do	14,153	1.2
Zinc	do	2,868	.3

¹ Exports of tires and tubes to some countries are recorded in pounds and to other countries in units. Total lend-lease exports to all countries in 1944 amounted to 1,782,000 pounds and 3,827,000 units.

² Dressed weight basis.

³ Grain equivalent.

Mr. WOLCOTT. I wonder if you could also give us any information which is available as to any and all loans which have been made by the Export-Import Bank to finance the export of butter and meat and flour?

Mr. DAVIDSON. I might just hazard a guess. I have not checked it and I will check it, but I do not believe that any Export-Import Bank loans have been made for that purpose.

Mr. WOLCOTT. Will you get that definitely, please?

Mr. DAVIDSON. Yes.

(The following information was later supplied:)

The Export-Import Bank has not established any credits for the specific purpose of financing the export of butter, meat, or flour. There may have been a few such shipments before the war under some of the smaller export lines of credit, but in any event the number of items of this type was negligible and none have been financed since the war.

Mr. WOLCOTT. When Dean Acheson was before the committee on the Bretton Woods bill, he made a statement categorically denying that there were being negotiated lend-lease loans with Russia, Great Britain, and China, and the questioning was predicated at that time upon statements in the press that these negotiations were going forward, and the press has repeated, since that denial, that negotiations

were going forward with respect to a lend-lease agreement with Russia, in a certain amount, but that a certain other amount, which was primarily for goods to be delivered after the war, being delayed, for four or five billion dollars, indicating that some thought was being given somewhere to lend-lease agreements for goods for delivery following the cessation of hostilities. Have you any information on that line that you can give us?

Mr. DAVIDSON. When we appeared before the House Foreign Affairs Committee, and the Senate Foreign Relations Committee, the question came up about this six-billion-dollar loan that was rumored for Russia, and we testified that there was no contemplation, either on the part of the Russians, or on our own part, toward making such a loan through lend-lease, and that the consideration of any such request would require reference to the Congress for congressional determination as to what loans, and in what amounts, should be made for reconstruction purposes. That is true also of various stories that have appeared with respect to China, and with respect to Britain.

Mr. WOLCOTT. Then F. E. A. has adopted the policy of not making or entering into any lend-lease agreements for the delivery of goods after the cessation of hostilities unless the matter is referred directly to Congress, is that it?

Mr. DAVIDSON. Well, I would just like to qualify that in one respect. The lend-lease agreements that we have made with France and with Belgium call for the delivery of supplies which we believe will be needed for the prosecution of the war.

Now, we do not know exactly when the war will end, and if there is some portion of that which remains undelivered, we would be authorized, we believe, under the legislation as extended, to complete deliveries, but they might only be completed under terms which would call for payment. They would not be lend-leased.

Mr. WOLCOTT. Well, as I understand it, the French agreement involves some \$2,750,000; is that right?

Mr. DAVIDSON. The total schedule was two and a half billion dollars.

Mr. WOLCOTT. Yes; two and a half billion dollars. Now, I understand that there are some locomotives in that agreement.

Mr. DAVIDSON. Yes, sir.

Mr. WOLCOTT. And if those locomotives were not delivered, but were on order previous to the cessation of hostilities in Europe, we would be obligated to deliver the locomotives, even a year from now?

Mr. DAVIDSON. Well, there is a provision in the agreement that provides that when the President believes that it would not be in our national interest to go forward with the furnishing of supplies under the agreement, we are authorized to withhold them.

Now, we feel that, on the other side of it, the French are obligated to take and pay for those locomotives, and we feel that that is a very advantageous arrangement from the point of view of the United States taxpayer. Otherwise, we might have a lot of unfinished or completely finished articles for which there would be no demand in this country, and the United States taxpayer would have to bear the loss.

Many of those locomotives, in fact all of the French locomotives, are designed to special specifications, which would not make them very suitable for United States use, and that is true of a great deal of the other equipment.

Mr. WOLCOTT. Yes; I understand that. What I am getting at is, is there any check on that, to the extent that we can exercise any authority contained in the agreements or otherwise, to stop the delivery of goods—That is if we think it is to our advantage to do so?

Mr. DAVIDSON. Yes, sir; we have complete authority and discretion to stop the delivery of any goods under any of these agreements.

Mr. WOLCOTT. The Congress has no jurisdiction over that? That is left to the discretion of the President?

Mr. DAVIDSON. Yes, sir; except to this extent, sir. In the first place, we will appear before the Appropriations Committee, and the agreement is specifically made subject to such appropriations as may be made, and they will pass upon the entire program.

In the second place, Congress, as you know, has the authority by concurrent resolution to terminate the act, at any time.

Mr. WOLCOTT. But it is your interpretation that the appropriation we make for lend-lease cannot extend beyond the 2-year period, as per the Constitution, wherein it says we cannot appropriate money for war purposes for more than 2 years?

Mr. DAVIDSON. Yes, sir; I believe we feel that we are bound by the general rule applying to appropriations.

Mr. WOLCOTT. And the appropriation which the Congress has made for lend-lease, in your opinion, would not carry over for longer than 2 years?

Mr. DAVIDSON. No, sir; as a matter of fact, all of our appropriations so far have been on a yearly basis.

Mr. WOLCOTT. That is all.

The CHAIRMAN. What department purchases the bulk of meat and flour for the armed forces? The War Department?

Mr. DAVIDSON. I really could not answer that question. If it entails the procurement abroad of any of those commodities, we might obtain it in a variety of ways.

Our armed forces in the Pacific are supplied very largely from supplies which are provided to us under reverse lend-lease by Australia and New Zealand.

The CHAIRMAN. I did not quite hear that last statement.

Mr. DAVIDSON. I say with respect to the procurement of these commodities abroad, procurement is obtained in a variety of ways, one of which is through reverse lend-lease from, for example, Australia, or New Zealand, which supply a very large proportion of the entire food supply of our armed forces in the South Pacific, and indeed in the whole Pacific area, and they include large quantities of butter and of meat.

The CHAIRMAN. Mr. Hays, do you have a question?

Mr. HAYS. No questions.

The CHAIRMAN. Mr. Crawford, do you have any questions?

Mr. CRAWFORD. Mr. Davidson, I am very much interested in that portion of your remarks wherein you spoke of some of these costs—we might call them excessive—that we have to pay in these countries where you buy materials, because there is no effective price control in operation there. Could you tell us approximately how many countries from which the Foreign Economic Administration purchases material, which countries have qualified, under lend-lease, and have received benefits under lend-lease?

Mr. DAVIDSON. The greatest portion of our foreign procurement program is in South America, and with the exception of the Argentine all of those countries have received some small quantities of lend-lease. The lend-lease supplies to those areas, however, are limited strictly to military equipment, and military supplies, and do not include any supplies for consumption by the civilian population.

Mr. CRAWFORD. Has a single Latin-American country furnished the United States, or any of our allies, reverse lend-lease?

Mr. DAVIDSON. I do not believe so.

Mr. CRAWFORD. Is there a single Latin-American country which has any price controls, from which we buy materials?

Mr. DAVIDSON. I doubt it very much, sir. With respect to your previous question, I would like to point out, however, that although they have not supplied reverse lend-lease as such, they have performed important functions in the defense of this hemisphere, and in connection with the waging of the war abroad.

As you know, we have many bases down there. Brazil has sent an expeditionary force abroad, and a number of the navies of the various South American countries have participated with us in patrolling the areas in the Caribbean, and in the Atlantic and the Pacific also.

So, we have received a good deal of assistance from them, and a great deal of cooperation in the carrying on of the war.

Mr. CRAWFORD. Do you know of any Latin-American country from which we purchased goods through the agencies of the Foreign Economic Administration that has not strengthened its gold reserves, or dollar credit assets, since the war began?

Mr. DAVIDSON. Well, I am not too familiar with the financial situation in those countries, but it is true that many of them have increased their dollar reserves, which, in the end, will be required for the purchase of American supplies when the reconversion and post-war period sets in.

Mr. CRAWFORD. Well, there is no restriction whatsoever, on those gold reserves as to whether they should be spent, or where they should be spent, is there?

Mr. Davidson, in other words, they could go to England, France, Germany, Italy, or to Japan, could they not, to purchase those goods with the gold reserves?

Mr. DAVIDSON. Well, if those dollar balances are drawn upon, they will ultimately have to be spent in the United States.

Mr. CRAWFORD. Oh, no; do not confuse dollar balances with gold reserves. They are two different things entirely, are they not?

Mr. DAVIDSON. Well, yes—

Mr. CRAWFORD. Then let us keep them separate.

Mr. DAVIDSON. I do not know whether their gold reserves have increased. I meant to say that their dollar balances in most cases have increased.

Mr. CRAWFORD. Are you not prepared to testify to a certainty, as to whether or not Mexico, Colombia, Brazil, Argentina, Paraguay, Uruguay, the Guianas, Chile, and any others I have missed, are you not prepared to testify as to whether or not every one of those countries I have mentioned have increased their gold reserves as reported by their central banks—the information comes to us through the Federal Reserve Board—as to whether or not they have increased

their dollar credits, since the war began? I do not mean right at this moment, but you would be prepared to give us that information would you not?

Mr. DAVIDSON. If the information is available, I will be glad to supply it for the committee. I think probably that the Treasury Department would more appropriately be called upon to provide that kind of information.

Mr. CRAWFORD. I see. Well, then, would it be fair for me to say—I think it is very vital information—that based upon your testimony, our Federal Government, through the Foreign Economic Administration machinery, goes into such Latin-American countries, from which you buy raw materials, or finished products, and pays a price for those goods which in no way is controlled by their Government machinery, in an effort to hold down the price to a reasonable basis? And that all of those countries, with the exception of Argentina, have qualified under lend-lease and many of them have received lend-lease assistance as defined by you with respect to military operations? Is that a fair statement to make?

Mr. DAVIDSON. I would just like to comment on that if I might.

Mr. CRAWFORD. All right, because I want to use this material, and I want to be fair about it.

Mr. DAVIDSON. With respect to the lend-lease supplies, which are sent to the Latin-American countries, they are sent not as a part of a commercial transaction, but they are sent because our military authorities believe that that is the wise thing to do from the point of view of the defense of this country and the prosecution of the war. So that the movement of lend-lease supplies is dictated by military, rather than commercial, considerations.

With respect to the price aspects, I would just like to mention that although there are, as I understand it, no price-control systems such as we have in this country, we have, through our procurement arrangements, made every effort to keep prices down and have received cooperation from the local governments involved, so that although the system is not one of price regulation such as we have here, we are receiving cooperation, and we have been able to work out, in many cases, arrangements whereby the cost of commodities will be kept within reasonable bounds. I would also like to point out that we do not sustain losses with respect to all of our purchases by any means. It is only a fraction of our purchases that involve losses.

As I pointed out in my opening statement, our total program runs over a billion dollars, and the losses, we anticipate in 1946, will run around \$70,000,000.

Mr. CRAWFORD. But out of all of your purchases, which the Foreign Economic Administration makes in Latin-American countries, we give the equivalent of a dollar credit, do we not, and on such lend-lease aid as we send to Latin American countries, they do not reciprocate by paying us dollars therefor, do they?

Mr. DAVIDSON. Yes, sir; they do.

Mr. CRAWFORD. Well, I think that is an important factor to bring out, if that is true.

Mr. DAVIDSON. Yes, sir, it is.

Mr. CRAWFORD. Do you then mean to say that Latin-American countries are paying for lend-lease shipments and other countries are not?

Mr. DAVIDSON. Well, our arrangements with all of the various lend-lease countries differ from country to country and in accordance with the circumstances. In connection with the Latin American countries, each of them pays, even for military supplies, a proportion of the cost of the supplies sent to the particular country, and the proportions vary from country to country, but we do receive payment in part from all of them.

Mr. CRAWFORD. Would you give the highest proportion that is paid?

Mr. DAVIDSON. I would be happy to supply that information to the committee off the record.

The CHAIRMAN. I suggest that he submit that off the record.

Now, there is a roll call in the House. Does any other member of the committee desire to interrogate the witness further?

If not, we will adjourn now and meet tomorrow morning at 10:30.

(Thereupon, at 12:15 p. m., the committee adjourned until 10:30 a. m., the following day, Wednesday, April 25, 1945.)

1945 CONTINUATION OF RECONSTRUCTION FINANCE CORPORATION SUBSIDY PROGRAMS

WEDNESDAY, APRIL 25, 1945

HOUSE OF REPRESENTATIVES,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C.

The Committee on Banking and Currency met, pursuant to adjournment, at 10:30 a. m., the Honorable Brent Spence (chairman) presiding.

The CHAIRMAN. The committee will be in order.

The Under Secretary of War, Judge Patterson, is appearing before the committee this morning. We will hear you now, Judge Patterson.

Judge Patterson is anxious to get away, so we will call him first. Have you a prepared statement, Judge Patterson?

Mr. PATTERSON. I have a short prepared statement.

The CHAIRMAN. You may read it without interruption and be interrogated later.

STATEMENT OF THE HONORABLE ROBERT P. PATTERSON, UNDER SECRETARY OF WAR

Mr. PATTERSON. I am pleased to have this opportunity to appear before this committee today in respect to S. 502, an act to permit the continuation of certain subsidy payments, and certain purchase and sale operations by corporations created pursuant to section 5d (3) of the Reconstruction Finance Corporation Act, as amended, and for other purposes.

The continuation of subsidies is an integral part of the stabilization and price-control programs. These programs are not administered by the War Department, and we do not have detailed information concerning subjects covered by the bill as do the agencies charged with direct responsibility therefor.

However, we are large-scale purchasers of some of the commodities covered by the bill, while others, as necessary constituent raw materials, enter into the end products that we purchase.

Inasmuch as subsidy payments will cease on June 30 next, unless this legislation is enacted, we anticipated difficulties in placing orders at this time for deliveries after that date. It was for this reason that I wrote to you, Mr. Chairman, on March 24, last, requesting speedy enactment of this bill—

Mr. PATMAN. What is the date of that letter, Judge Patterson?

(The above-mentioned letter reads as follows:)

WAR DEPARTMENT,
Washington, March 24, 1945.

HON. BRENT SPENCE,
*Chairman, Committee on Banking and Currency,
House of Representatives.*

DEAR MR. SPENCE: There is now pending before your committee legislation to extend commodity subsidies, including subsidies on flour, which has already passed the Senate. I am writing to request early consideration of this legislation by your committee.

Several procuring agencies of the War Department are under the necessity of promptly placing contracts for certain of the commodities dealt with in the bill. An outstanding example is the procurement of flour by the War Department, which heretofore has been facilitated through the payment of a direct subsidy to the flour producers by Defense Supplies Corporation, a subsidiary of Reconstruction Finance Corporation. These subsidy payments will become illegal after June 30, 1945, in the absence of legislation such as is now pending before your committee. While the War Department is not intrinsically concerned with whether its procurement is made possible by subsidy payments, it is vitally interested in maintaining a situation that will make the flour continuously available in the quantities needed by the Army.

In view of the fact that contracts must be placed in advance for flour to be ground after June 30, 1945, the War Department is desirous that the bill be enacted as speedily as possible. Anything you can do to expedite the favorable consideration of this measure by your committee will be much appreciated.

The War Department has not been advised of the relation to the program of the President of any particular bill pending before your committee.

Sincerely yours,

ROBERT P. PATTERSON,
Acting Secretary of War.

Mr. PATTERSON. March 24, just a month ago—placing particular emphasis on our need to place orders at that time for flour to be delivered on July 1 or thereafter. If the subsidy on flour were not to be renewed, the price ceiling would no doubt have to be changed, and our contracts for future delivery would be at a higher price than if the law were renewed. I appreciate the prompt action of this committee and of the House in enacting at once a bill covering flour subsidies. While this bill has not yet been approved by the Senate, it has aided our procurement of flour, in that the passage of S. 502 in the Senate, covering flour subsidies, among others, and your enactment of the bill providing flour subsidies, has seemed to make the millers confident that the subsidy on that commodity will be continued. However, if substantial further time passes before final determination as to whether or not we are to have a subsidy on flour—and I mean, of course, by effective legislation—we expect to encounter the difficulties that I mentioned to you in my letter. As July 1 approaches, we may anticipate similar confusion in the case of other commodities.

In one sense the War Department is not directly concerned in its purchases, as to whether the same are at a lower price because of a subsidy, or at a higher price in the absence of subsidy. In either event, public funds are spent to the same degree. This is true, however, only in the cases where we directly buy the commodity in the form subsidized. In cases where the end product that we purchase is one or more degrees removed from the raw material upon which the Government makes supporting payments then, in the absence of such payments, there may be the usual pyramiding of profits through the

different steps of processing or manufacture, based on higher raw-material costs.

The War Department, however, is even more interested in the effect upon its procurement generally, if subsidies are withdrawn. If certain necessary consumer products, such as meat, butter, and flour, rise substantially in price because of the defeat of the pending act, the wage structure in the manufacture of all matériel purchased by the War Department will be affected. Not only would this increase the cost of our munitions beyond the amount of the subsidies, but it would have a disturbing effect due to the adjustments that would have to be made, not only in wages all along the line but in our contract prices as well.

Recently, the so-called 10-point meat program was established by the interested Government agencies, including the War Department. I am told by the Quartermaster General that he believes this to be a major step toward the solution of our meat shortages. One point permits the Army to pay 25 cents more per hundredweight for carcass beef than the ceiling price and 35 cents per hundredweight more for boneless beef. This is to enable us to obtain for our troops the necessary beef supplies, since our purchases are at a stage of processing which is less profitable to the packers than commercial purchases. The continuance of the subsidy program, I believe, is a necessary, integral part of the 10-point program on meat.

You may be interested in the percentage of the country's total meat, butter, and flour supplies that are acquired for military use and lend-lease. This is because, to the extent that subsidy payments apply to such purchases, the Government would be paying substantially the same amount of money by way of additional price, if there were no subsidies. Those are on our direct purchases of meat, butter, and flour. The percentages I give you refer to the year 1944, and the actual part taken that year out of the total supplies used from the Nation's stocks.

Meat, military—including Army, Navy, Veterans' Administration, and War Shipping Administration—14 percent.

Lend-lease, 7 percent.

Making a total of 21 percent.

Butter, military, 16 percent. Lend-lease $4\frac{1}{2}$ percent, or a total of $20\frac{1}{2}$ percent.

Flour, military, 8 percent; lend-lease, 2 percent; or a total of 10 percent.

We estimate a somewhat increased percentage of Government purchases for the present year. On some of these, while the total amount taken by the military in lend-lease will prove stationary due to a reduced total supply, the percentage will rise.

I believe that the subsidy program, with respect to the commodities covered by the act, has been successful and beneficial, and should be continued for the coming fiscal year.

That concludes my formal statement, Mr. Chairman. I would be very glad indeed to answer any questions that I can.

The CHAIRMAN. Mr. Crawford, do you have any questions?

Mr. CRAWFORD. Mr. Chairman, I have no questions.

The CHAIRMAN. Mr. Brown, any questions?

Mr. BROWN. I will pass.

The CHAIRMAN. Dr. Smith, do you have any questions?

Mr. SMITH. I have no questions.

The CHAIRMAN. Mr. Patman, do you have any questions?

Mr. PATMAN. I listened to your testimony with interest, Judge Patterson. If I properly interpret it, this bill, or this law, is in your plans for the successful prosecution of this war?

Mr. PATTERSON. Yes, sir.

Mr. PATMAN. And any delay is delaying your plans for the successful prosecution of the war?

Mr. PATTERSON. Yes, sir.

Mr. PATMAN. Any delay in the enactment of this law?

Mr. PATTERSON. That is right, sir.

Mr. PATMAN. Therefore haste is very necessary?

Mr. PATTERSON. We believe so.

Mr. PATMAN. You find that your purchasing now is hindered and impeded by the reason of failure of this bill to pass up to date?

Mr. PATTERSON. It is likely to be, if there is much greater delay.

Mr. PATMAN. And in the interests of the war effort, it should be enacted at the earliest time possible?

Mr. PATTERSON. I believe so.

Mr. PATMAN. I was interested in your statement, too, about, if we resort to the practice of increasing prices, although small, on any one particular commodity, yet on all it would jeopardize our wage and stabilization program, and it would be necessary, as prices increase, for wages to increase, and before long we would have a race between wages and prices which would result, as always, in ruinous inflation?

Mr. PATTERSON. It would have a very disturbing effect upon our procurement of aircraft, guns, ammunition, and all the supplies of war. There is no doubt about that.

Mr. PATMAN. I made an investigation some time ago, and discovered that our price and stabilization program has saved the taxpayers \$80,000,000,000 on the war machinery alone, up to December 1944. That was arrived at in this way: Prices were determined as of the First World War, and determined during the same period in the Second World War. If we had paid the same prices for steel and copper and all the critical and strategic metals and commodities and things that we need to successfully prosecute this war, that we paid during the First World War, our national debt would have been \$80,000,000,000 more at the end of December 1944.

Mr. PATTERSON. I am not an economic or fiscal expert, Mr. Patman, and I have only a layman's knowledge of that, but I have the general impression that the stabilization program that has been pursued in the course of this war has been a distinct success, and has saved us from a good deal of chaos and confusion that we might have had otherwise.

Mr. PATMAN. I think many people overlook the fact, when they advocate, indirectly, higher prices, that there are from nine to fifteen million people in this country who are living on what might be called their allotment or allowance checks from the Government. How many would you say, Judge Patterson? I presume you have those figures.

Mr. PATTERSON. Well, I do not have them at hand, Mr. Patman.

Mr. PATMAN. I imagine nine to fifteen million would be a fair estimate, would it?

Mr. PATTERSON. Yes.

Mr. PATMAN. And if we were to raise the prices immediately they would be affected and they would have a meritorious claim for an

increase in the amount of allowances and allotments they were receiving, at the same time with 3,000,000 civil-service workers, although most of them are working in war plants, would have the same kind of a meritorious case; would they not?

Mr. PATTERSON. Yes, sir.

Mr. PATMAN. That is all.

The CHAIRMAN. Mr. Monroney, do you have any questions?

Mr. MONRONEY. As I understand this, unless this bill passes, there is absolutely no authority, or there are no funds available for even the strategic materials to be acquired after June 30, 1945?

Mr. PATTERSON. That is right. No authority for subsidy payments on strategic materials.

Mr. MONRONEY. That would mean that every day's delay would lead to uncertainty on the part of the producers, who must necessarily make plans months ahead for their production, and for their personnel, and their operations; is that not right?

Mr. PATTERSON. Yes, sir; that is right.

Mr. MONRONEY. And if we delay much longer, it seems to me that we will be putting our producers of these highly strategic materials, which are of vital necessity for war, right up against the termination date without knowing whether they can operate or whether they cannot.

Mr. PATTERSON. That is right.

Mr. MONRONEY. And that would come at a time when, if the European phase of the war should end, that it will add all the more to their uncertainty and the difficult problems that would face them in that crucial period.

Mr. PATTERSON. You will have some hard problems of readjustment at best, of course.

Mr. MONRONEY. This other thing would probably be not the straw but a load of bricks that would break the back of many, many operators on whom you have to depend for these strategic and critical materials.

Mr. PATTERSON. I am sure that is true. Of course, the responsibility for a good many of these basic raw materials, metals, is not the responsibility of the War Department, but that of the War Production Board. But, we are affected, of course, in our purchase of the end products, made up of these basic materials.

Mr. MONRONEY. If the supply of raw materials dries up, then you are the one that is the major loser in the thing?

Mr. PATTERSON. Yes, sir; we are the ultimate customer. There is no question about that.

Mr. MONRONEY. Even going to the production of foodstuffs, such as flour, beef, and things of that kind, that are being helped by this subsidy program, I believe the Army takes what, about 60 percent of the federally inspected beef; do they not?

Mr. PATTERSON. General Hardigg can tell about the percentage of that beef.

General HARDIGG. It is 60 percent of those grades that we take. It works out to much less than that on the total.

Mr. PATTERSON. General Hardigg is from the Quartermaster General's office and has charge of those programs.

Mr. MONRONEY. That is all.

The CHAIRMAN. Mr. Wolcott, do you have any questions?

Mr. WOLCOTT. I have no questions.

The CHAIRMAN. Mr. Folger, any questions?

Mr. FOLGER. Judge Patterson, I have no questions, but I just want to talk to you, that is all. I want to say, for instance, that I know we all appreciate the fine work you are doing in every phase of your work and I did not want to let this opportunity pass without letting you know my feeling on that.

I believe it was your letter that resulted in our lifting out of 502 the part concerning flour. If I understood you correctly, while that bill did not pass the Senate, or has not yet passed the Senate, the fact this was done, that we did pass the bill with regard to wheat, and the inclination of the Senate to go along with S. 502, resulted in you being able to go ahead.

Mr. PATTERSON. Right. Although final effective action, of course, even on flour has not yet been taken, because of the difference in the form of passage.

Mr. FOLGER. That is all, Mr. Chairman.

The CHAIRMAN. Mr. Gamble, do you have any questions?

Mr. GAMBLE. I have no questions, Mr. Chairman.

The CHAIRMAN. Mr. Hays, any questions?

Mr. HAYS. I have no questions, thank you.

The CHAIRMAN. Miss Sumner.

Miss SUMNER. No questions.

The CHAIRMAN. Mrs. Woodhouse, do you have any questions?

Mrs. WOODHOUSE. I have no questions.

The CHAIRMAN. Mr. Buffett, any questions?

Mr. BUFFETT. I have no questions.

The CHAIRMAN. Mr. Riley, do you have any questions?

Mr. RILEY. I have no questions.

The CHAIRMAN. Mr. Brumbaugh.

Mr. BRUMBAUGH. Mr. Patterson, you admit that as far as the cost to the Government is concerned, through these subsidies that they pay, that the cost to the War Department, the actual cost for the product, even if the subject were eliminated, it would be costing just as much?

Mr. PATTERSON. Yes; that is on direct War Department purchases.

Mr. BRUMBAUGH. In case that subsidy were eliminated, and wages were increased and prices were increased, would not the Government get more taxes to support your program? Would not it almost balance?

Mr. PATTERSON. I do not think so.

Mr. BRUMBAUGH. It would eliminate these black markets to a great extent and put business back in legitimate hands; would it not?

Mr. PATTERSON. I had not considered the effect of taxes, but I do not think that would be a counterbalance. But, as I said, I am no fiscal or economic expert.

Mr. BRUMBAUGH. The only thing I was trying to get at was, that we are having so much confusion due to this price control and everything, so that if we had some solution to it, it would be much better than what we are going through right now.

Mr. PATTERSON. Of course, there are pressures against the controls, but on the whole, I think the matter has been handled to the Nation's advantage, and the stabilization has been quite effective.

Mr. BRUMBAUGH. Do you think it can be continued?

Mr. PATTERSON. I think it has to be continued until after the final defeat of Japan, too.

Mr. BRUMBAUGH. Thank you, sir.

The CHAIRMAN. Mr. Hoch, do you have any questions?

Mr. HOCH. I have no questions, Mr. Chairman.

Mr. RILEY. I have a question, Mr. Chairman.

The CHAIRMAN. Mr. Riley.

Mr. RILEY. Judge Patterson, as Mr. Patman brought out, if these controls were not effective, there would be certain materials that would run away, we will say, in prices, and cause considerably more hardships than the price-control program. You think that would be correct; do you not?

Mr. PATTERSON. Yes; that is my belief.

Mr. RILEY. And while all of us have rather been affected in some way or another, and have some resentment to the price-control program, it is much better than any program we have had in any war previous to this; is that correct?

Mr. PATTERSON. Yes, sir.

Mr. RILEY. I wish to add my appreciation, sir, to the very fine work which you and the War Department are doing. Thank you.

Mr. PATTERSON. Thank you, Mr. Riley.

The CHAIRMAN. That concludes the interrogation of Judge Patterson.

Judge, we wish to thank you for your very clear and convincing statement. This committee realizes that expeditious consideration of these matters is necessary and we did take the flour matter out of this bill and pass it, because we thought it ought to be decided right away, but I notice the Senate has not taken any action on that matter. We hope to get all of these matters over there before long.

Mr. PATTERSON. Thank you.

Mr. PATMAN. Mr. Chairman, in view of the great importance of this measure in the war effort, can we not agree on some certain time we will vote on it, say today at 11:30 or 12 o'clock?

The CHAIRMAN. It is up to the committee. Of course, there ought to be more members here.

Mr. CRAWFORD. We could not agree on that, Mr. Chairman.

Mr. PATMAN. When could we agree to vote? Could we agree to vote tomorrow?

Mr. MONRONEY. Can we meet this afternoon?

The CHAIRMAN. Yes; we will meet this afternoon. We will see how things proceed.

Mr. PATMAN. I cannot be here this afternoon. Can we agree on voting tomorrow.

The CHAIRMAN. Let us see how we get along. I do not think anybody wants to delay this matter, because it is a matter of great importance, and I think all the members of the committee realize its importance. We will call Dr. Sayers of the Bureau of Mines.

Dr. Sayers, have you a prepared statement?

Dr. SAYERS. I have a prepared statement, sir, that I was asked to present.

The CHAIRMAN. Would you like to read it without interruption?

Dr. SAYERS. Either way, sir.

The CHAIRMAN. You may read it and you will not be interrogated until you finish your statement.

STATEMENT OF DR. R. R. SAYERS, DIRECTOR, BUREAU OF MINES

Dr. SAYERS. I appreciate very much, Mr. Chairman, and members of the committee, the opportunity of coming before you on this bill and expressing the opinion of the Bureau of Mines and of the Interior Department.

As you know, the Department of the Interior is charged with conservation of our natural resources. The Bureau of Mines has especial responsibility by the organic act establishing it, which states:

That it shall be the province and duty of the Bureau of Mines, * * * to conduct inquiries and scientific and technologic investigations * * * with a view to * * * conserving resources through the prevention of waste in the mining; * * * and other mineral industries; * * *.

I was asked particularly to discuss the provisions relating to bauxite. Bauxite, as you know, is at present the only commercial ore of aluminum. During the war, the Congress made appropriations for the Bureau of Mines to develop domestic reserves of bauxite. We feel that we have done a good job. We have developed several million tons of bauxite.

We have also developed a protective feeling for our bauxite reserves—we do not want to see them lost or wasted.

Because the stock pile of bauxite for this war had become more than adequate, Government purchase from most bauxite producers was stopped on or before December 31, 1944. Considered as a matter of war production only, this might have been warranted; but at least six underground mines were left with ore exposed, ready for mining but with no market for it. The bauxite in these mines probably never will be recovered once the mines become flooded and cave.

After examining these underground mines last November, the engineers of the Bureau of Mines, estimated that at least 416,000 dry long tons of reconverable bauxite of the grade accepted by Metals Reserve Company through December 31, 1944, will remain unmined. Most of this ore will be lost if the mines are abandoned for any considerable time. Some of it probably is already beyond recovery.

Any funds expended in purchasing the ore from such mines would not be wasted but would represent the cost of stock-piled bauxite that would otherwise be lost to the country. In view of these facts, I feel that the provision under consideration should be adopted.

That is the statement I was asked to present to this committee, Mr. Chairman. I will be glad to try to answer any questions you care to ask on any part of it.

The CHAIRMAN. To what extent have these subsidies on copper, lead, and zinc increased the production of those materials?

Dr. SAYERS. They have increased production materially, as you know, in a number of the cases. In 1944 approximately 25 percent of the copper production, 50 percent of the lead, and over 60 percent of the zinc required premium prices. It is necessary for many of the mines to be paid a premium price or be afforded some other way of obtaining adequate means to cover the cost of mining and development of the mine. In addition, if they expect to proceed in an orderly way, and we think they should, they ought to be given an opportunity to know in advance what they are likely to have for the next few months. It would seem to me desirable to pass a law that would permit this.

Stabilization of industry is very desirable in wartime.

The CHAIRMAN. How many mines would be closed down by the failure to pass this?

Dr. SAYERS. Many copper, lead, and zinc mines would have to close. I cannot give you the exact number, but I do know that many of them will have to close if a premium price or subsidy is not made available or if there is not a free market; and, as Judge Patterson said, the latter is going to cost us very much more money. From the standpoint of prosecution of the war, a free market would seem very undesirable at this time; speaking as an individual and not necessarily as Director of the Bureau of Mines, that is what I believe.

The CHAIRMAN. Well now, if the war with Germany should end in a month or two, would it be necessary to produce these metals in the quantity they are now produced to prosecute the war against Japan, in your opinion?

Dr. SAYERS. In my opinion, yes. Of course, nobody knows what will be required. I prefer to have more than is necessary rather than less, and I do not see how we can carry on a war just having exactly the right amount. We must have more. We must have surpluses if we are going to prosecute a war efficiently, and I would rather see this country spend some money than lose lives. That is my personal reaction.

I think that we can save many lives if we have adequate materials.

The CHAIRMAN. Mr. Crawford, do you have any questions?

Mr. CRAWFORD. I have no questions, Mr. Chairman.

The CHAIRMAN. Mr. Brown, do you have any questions?

Mr. BROWN. It is not your thought to keep these high-cost mines open with subsidies after this war, is it?

Dr. SAYERS. It is not, sir.

Mr. BROWN. That is all.

The CHAIRMAN. Mr. Gamble.

Mr. GAMBLE. I have no questions, Mr. Chairman.

The CHAIRMAN. Mr. Patman, any questions?

Mr. PATMAN. What is the highest price you are paying for copper, through subsidies?

Dr. SAYERS. I have forgotten, sir.

Mr. PATMAN. In the high-cost mines.

Dr. SAYERS. We do not administer that. That is handled by the Metals Reserve Company.

Mr. PATMAN. That is all, Mr. Chairman.

The CHAIRMAN. Miss Sumner.

Miss SUMNER. Is it your opinion that if the O. P. A. were to raise the price on these metals, that you could get the same production?

Dr. SAYERS. The cost of production has to be met no matter how we get it.

Miss SUMNER. In other words, from the point of view of production, would that be equivalent?

Dr. SAYERS. It seems that this is the more orderly way to do it. We have been using this system for quite some time, and to change now would seem inadvisable to me. There are many other ways of doing it, as we well know. But this system has apparently been successful up to the present.

Miss SUMNER. That is all.

The CHAIRMAN. Mr. Monroney.

Mr. MONRONEY. Dr. Sayers, would it not result, though, if you changed the system to let the price go up in open market, in an excessive pull on the profitable mines and ignoring the vast supply of low-grade ores in this country?

Dr. SAYERS. That is correct.

Mr. MONRONEY. We would shift from a reclaiming of some marginal production into a depletion of the readily minable reserves that are now in the ground?

Dr. SAYERS. That is correct.

Mr. MONRONEY. We will lose, probably, a lot for posterity in the country's natural resources by that method.

Dr. SAYERS. That is correct.

Mr. MONRONEY. Could you give the committee any idea, Doctor, of the percent of depletion that we have had in our natural resources, such as iron ore, and zinc and lead and copper and oil?

Dr. SAYERS. Well, of course, that is a long question.

Mr. MONRONEY. In general; a general idea. I do not believe the country realizes how desperately low we are becoming in readily recoverable resources due to the war.

Dr. SAYERS. Well, a number of our resources that we considered we had in large amounts are beginning to present problems. For example, our high grade iron ore is being depleted at a rapid rate, and we are going to have to readjust our industry in the near future on account of it. That is the way that works.

We have built a wonderful mining industry and we have a wonderful steel industry based on it. In that steel industry coal also is important, and it requires a particular kind of coal—coking coal. We have a large reserve of coal in this country, something of the order of 3 trillion tons, but the reserves of coking coal are limited, and in the not too far distant future, we are going to feel the scarcity of coking coal for our steel industry; that is important, and we will have to change our technology or else begin to conserve the particular types of materials we now have.

This problem is being studied and has been studied for quite a period and we have rather long reports on it. It cannot be answered in a few minutes, I regret to say.

Mr. MONRONEY. Well, for instance, I am a little bit familiar with the zinc situation, where our readily minable zinc has gone down to almost nothing, but you are working tailings.

Dr. SAYERS. That is correct.

Mr. MONRONEY. And low-grade ores, and probably in that way are developing new techniques for recovery of things that otherwise would not be considered, would be completely lost.

Dr. SAYERS. Moreover, I think, that we ought to know what and where our mineral resources are in this country, as well as the quantity, the grade, and how to make them useful. I don't mean necessarily commercial, but so that it can make use of them if we have to in an emergency, and I think we all ought to see to it that that is done. This applies to Congress, and Congress, of course, is the group to see that that work is undertaken.

Mr. MONRONEY. In the oil subsidy, for example, to achieve the ultimate recovery from stripper wells that would otherwise be abandoned, that oil that is not produced from these five- to ten-barrel-a-day producers, is lost forever, is it not?

Dr. SAYERS. Under our present technique, it is lost forever. We believe it is lost forever.

Mr. MONRONEY. In this subsidy operation you are attempting to scrape the bottom of the barrel so that that oil can find a useful application?

Dr. SAYERS. That is correct.

Mr. MONRONEY. That is all.

The CHAIRMAN. Mr. Smith, do you have any questions?

Mr. SMITH. Dr. Sayers, did you make the statement that you have more bauxite now than is required for war purposes? Maybe I misunderstood you.

Dr. SAYERS. We have produced and now have a stock pile of bauxite that would meet our needs for something over 1 year. However, the ore I referred to in my statement is in mines that will be and are being closed down, and will be lost forever. This is a conservation provision in this bill. In order to save this bauxite, it should be mined now.

Mr. SMITH. I wonder if you would care to put into the record a statement showing the number of mines involved.

Dr. SAYERS. At least six mines are involved.

Mr. SMITH. Six mines?

Dr. SAYERS. Yes, sir; these have an estimated tonnage of 416,000 dry long tons of bauxite—about one-fourth of a year's supply for this country—and this would be lost forever.

Mr. SMITH. Is it different with bauxite mines than coal mines? You spoke about them flooding, and caving in.

Dr. SAYERS. Yes; when this material is flooded, and then opened up again, it sloughs very readily, and miners cannot go into it safely.

Mr. SMITH. It is not like coal mines, then?

Dr. SAYERS. No.

Mr. SMITH. Thank you.

The CHAIRMAN. Mr. Folger?

Mr. FOLGER. I have no questions.

The CHAIRMAN. Mr. Kilburn, do you have any questions?

Mr. KILBURN. No questions.

The CHAIRMAN. Mr. Hays?

Mr. HAYS. I assume, Doctor, that your recommendations are based partly on the fact that the war requirements have resulted in a severe reduction of bauxite reserves, and that you had to take that into account in considering the fact that this is a limited supply, that must be conserved?

Dr. SAYERS. That is correct. Our reserves of bauxite in the continental United States are very limited. Our known reserves have been increased owing to our exploration and development work, which was authorized by Congress, but the actual reserves have been materially depleted during this war.

Mr. HAYS. And this supply that you must buy in order to conserve was brought into or was exposed in this way as a result of the war operation?

Dr. SAYERS. That is correct.

Mr. HAYS. That is all.

The CHAIRMAN. Mr. Buffett?

Mr. BUFFETT. Doctor, I learned a few days ago that in the British Ministry of Supply they have terminated certain arrangements they

had with Canadian copper producers to purchase their surplus copper, at the end of January of this year, and that that copper is now coming into the United States. Do you have any idea about the increase in copper coming into this country as a result of the decision by the British Ministry of Supply?

Dr. SAYERS. I do not have that report as yet.

Mr. BUFFETT. I note we are still paying some subsidies on copper here, and I am wondering if those subsidies take into account this increased supply that is coming from Canada, and I am further interested in knowing why the British have cut down their purchases of copper, and there has not been similar action in this country. Can you shed any light on that subject?

Dr. SAYERS. I do not think I can tell you why the British people have stopped. There are a number of things in Canada that are difficult for me to understand.

Mr. BUFFETT. I see. That is important information, I think for this committee.

Dr. SAYERS. I can get you those figures, but I must say this in regard to the foreign figures: Any data on imports are under censorship, sir; they are not for public distribution, and I am not permitted to state them. I could give them to you as a Congressman, individually, or to the committee in executive session, but I could not give them in an open meeting.

Mr. BUFFETT. I see. I would like to have them, thank you.

Dr. SAYERS. I will be very glad to supply the committee with them, if you so desire.

Mr. BUFFETT. I think it would be interesting for this committee to have the figures showing the increase in copper imports since the end of January.

Dr. SAYERS. I will be very glad to supply those figures. But you understand that censorship does not permit me to give these data for publication.

Mr. BUFFETT. I did not know that, but I am glad to abide by the rules, of course. That is all, thank you.

(The information requested was supplied for the confidential use of the committee.)

The CHAIRMAN. Mrs. Woodhouse, do you have any questions?

Mrs. WOODHOUSE. If the O. P. A. were to raise the ceiling price of copper that price then would have to be paid on all copper, would it not?

Dr. SAYERS. That is correct.

Mrs. WOODHOUSE. Am I right in thinking that the subsidy is only paid to make up the differential in the cost of mining?

Dr. SAYERS. That is correct.

Mrs. WOODHOUSE. So that the subsidy would result in a very much cheaper bill for the War Department than the raising of the ceiling price?

Dr. SAYERS. That is correct.

Mrs. WOODHOUSE. That is all.

The CHAIRMAN. Mr. Hull, do you have any questions?

Mr. HULL. If Britain is canceling its contracts for copper from Canada, the question is whether or not they are increasing their supplies from the stockpiles of this country under lend-lease.

Dr. SAYERS. As I have said, we are not permitted to publish figures on imports and exports. I can supply information to the Committee with that understanding.

Mr. HULL. How large a stock pile of copper do we have at present?

Dr. SAYERS. May I supply that to the committee?

Mr. HULL. I wish you would.

Dr. SAYERS. I think a number of these things, of that character, are under censorship, Mr. Hull. I do not think I am permitted to state them, although I see them in print, I must acknowledge.

Mr. HULL. I have seen in print the statement that we have enough copper stock-piled in this country to last several years after the war. I am wondering if that is true or not.

Dr. SAYERS. I question that very much.

(The information requested was supplied for the confidential use of the committee.)

Mr. HULL. What percentage of our stock pile is coming from South America?

Dr. SAYERS. A limited proportion.

Mr. HULL. A Senator made the statement on the floor of the Senate a few days ago that Utah has its copper resources practically depleted as a result of the war, is that correct?

Dr. SAYERS. Utah has produced a large quantity of copper, but the reserves are still large.

Mr. HULL. What about Arizona?

Dr. SAYERS. Arizona also has large reserves, although they are contained chiefly in large deposits of low-grade ore. The high-grade copper ore is highly depleted in Arizona.

Mr. HULL. What about northern Michigan, if subsidy is continued, will those mines continue to operate?

Dr. SAYERS. Only as long as subsidies continue.

Mr. HULL. There are supplies there, they are not inexhaustible, are they?

Dr. SAYERS. Definitely not. I wish they were.

Mr. HULL. I understand that the subsidy enabled Michigan to produce. There were inexhaustible supplies of copper there that they could not produce without subsidy.

Dr. SAYERS. You use the word "inexhaustible" of course in a relative way. There is copper there for many years to come. It is expensive to get out, because of the cost of the mining methods they have to use.

Mr. HULL. And when the subsidy stops, they stop?

Dr. SAYERS. Necessarily so.

Mr. HULL. In other words, we are forcing them to—what States produce the bauxite?

Dr. SAYERS. Arkansas, chiefly, and to some extent Georgia. There is some in Alabama and a limited amount of bauxite clays elsewhere, but the big production is in the State of Arkansas.

Mr. HULL. How about the lead mines? If subsidies are continued, do you think they will continue to operate the mines in Wisconsin?

Dr. SAYERS. That is correct.

Mr. HULL. And if it is discontinued, they will stop?

Dr. SAYERS. That is right.

Mr. HULL. There is a tremendous supply of lead in Wisconsin which cannot be mined simply because of cost, is that right?

Dr. SAYERS. It cannot be mined because of the cost, but I will assure you that it is not inexhaustible any place.

Mr. HULL. That is a large supply. After a hundred years, it would be still there, say?

Dr. SAYERS. There is only a limited supply there. Our domestic lead supplies are limited; we are using substitutes for lead right now, and we will continue to do so.

Mr. BUFFETT. The rapid depletion of our low-cost mineral resources under forced draft, so to speak, you think, then, after this war may result in considerably different cost of manufacturing and production in this country; is that right?

Dr. SAYERS. That is correct, unless we find new technology, new methods of production, new methods of beneficiation, and new processes of treatment, to get the metals out of lower-grade ones at competitive costs. We hope that by discovering low-grade ores and developing new technology we can compete, and continue in the world market, but there is a great deal of work to be done in those fields.

Mr. BUFFETT. Then this war is acting automatically to increase our output cost as compared with other countries, and leveling off international costs of production to some extent?

Dr. SAYERS. I think that is true to some extent.

Mr. BUFFETT. Thank you.

Mr. HULL. Well, the importation of iron, pig iron especially from South America and Brazil, materially affected the opportunities for the low-grade ores, magnetic ores?

Dr. SAYERS. Not to any appreciable extent.

Mr. HULL. Are they likely to in the future? We have several mines in Wisconsin.

Dr. SAYERS. We had.

Mr. HULL. And it is a good thing for them. The statement has been made that when Brazil gets into operations with its iron mountains down there that those ores will not be used for many years to come. Is that really true?

Dr. SAYERS. We do not really know. We do know that they have many problems in their mining of that ore down there, and in the technology of treating that ore, as well as in transportation. These problems have not been solved. A number of statements have been made as to the reserves and the reserves are known to be large but their actual size is not really known yet, according to a statement that I have had within the last 2 weeks. That is, further exploration is needed in Brazil before they will really know how large these reserves are.

Mr. HULL. That is all, Mr. Chairman.

The CHAIRMAN. Mr. Hoch, do you have any question?

Mr. HOCH. Nothing, thank you, Mr. Chairman.

The CHAIRMAN. Mr. Brumbaugh, do you have any questions?

Mr. BRUMBAUGH. I was going to ask you the price we are paying for copper, Mr. Sayers, in Canada. Is that the same price we are paying for local copper?

Dr. SAYERS. I would think so.

Mr. BRUMBAUGH. Do you think England discontinued buying Canadian copper because it could buy it in other countries at a lower price?

Dr. SAYERS. I do not know whether that was it or whether transportation was a factor. We have been sending raw materials for

war and manufactured materials for war, to Great Britain and through Great Britain.

The CHAIRMAN. Mr. Riley, any questions?

Mr. RILEY. I have no questions.

The CHAIRMAN. Dr. Sayers, we thank you for your statement. You may step aside.

Dr. SAYERS. Thank you, Mr. Chairman.

The CHAIRMAN. We will now hear Mr. Keeley, of the War Production Board.

Mr. Keeley, you may proceed.

STATEMENT OF W. C. KEELEY, OF THE WAR PRODUCTION BOARD

Mr. KEELEY. Mr. Chairman, we do not have a formal statement, but if I may, I would like to reread the letter which we sent to you on March 26, in reference to the four bills.

The CHAIRMAN. You may proceed in your own way. If you want to insert it in the record, we will do so.

Mr. KEELEY (reading):

"Members of the committee staff have asked our views on various bills (H. R. 2455, H. R. 2456, H. R. 2539 and S. 502) to permit the continuation of certain subsidy payments with respect to strategic metals and minerals and petroleum and petroleum products. The War Production Board is in accord with the general purpose of these bills.

It is our view that the specific provisos of these bills relating to the extension of the premium price plan for copper, lead, and zinc are not necessary from the standpoint of securing the copper, lead, and zinc that may be required to support war production. An authorization to continue the premium price plan until June 30, 1946, would serve all war purposes. A provision that the basic A premiums could not be canceled prior to June 30, 1946, while unnecessary, would not be troublesome. The other language in the provisos is not necessary to the war effort and might cause serious administrative difficulties.

We have seen no evidence that the cancelation provisions now in effect have discouraged production from mines operating under the premium price plan. Generally speaking, we believe the cancelation provisions, which now give 30 days' notice and which we believe should be revised to 60 days, tend to encourage miners operating under B, C, or special copper quotas to mine at as rapid a rate as possible, a desirable situation at the present stage of the war.

Because of the urgency of the matter it has not been possible to ascertain from the Bureau of the Budget whether the proposed legislation is in accord with the program of the President.

We will be glad to answer any questions we can on the production side of the picture.

The CHAIRMAN. What effect has the subsidy on copper, lead, and zinc.

Mr. KEELEY. From the viewpoint of the War Production Board, I would say the use of the marginal mines has been the only way in which we could affect the production needed for the war effort.

The CHAIRMAN. Has that program put in operation many mines which had been closed because they were not remunerative?

Mr. KEELEY. A very great number; yes, sir.

The CHAIRMAN. With reference to the continuation of the subsidies during the year, do you think there would be necessity for this production, even if the war in Europe came to a close in the next month or two, and the war with Japan continued?

Mr. KEELEY. I think I have to qualify my remarks on the known requirements of the military, but from anything that we know in the War Production Board now, it would be required.

The CHAIRMAN. So the question of whether we continue these subsidies mandate the continuation of these subsidies for another year or not is a question that is not material; is that right?

Mr. KEELEY. I think perhaps we should say that the continuation of A premiums, we think are absolutely necessary.

There might be some question, if the demands of the military changed materially. In those known at the present time, there might be some question about the continuation of B and C premiums.

The CHAIRMAN. We will need the production through the year, will we?

Mr. KEELEY. At the present time I would say so, definitely.

The CHAIRMAN. Mr. Crawford, do you have any questions?

Mr. CRAWFORD. Mr. Keeley, I have only one question to ask you, if you are prepared to answer it. Do you believe it would be practical for Congress and industry and the country generally to discontinue these subsidy payments with the cessation of major hostilities in Europe and Asia?

Mr. KEELEY. Well, if I knew the military requirements a little bit better for a one-front war, I think I could be more helpful.

Mr. CRAWFORD. I said in Europe and Asia.

Mr. KEELEY. Oh, excuse me. I do not know the answer to that at the moment.

Mr. CRAWFORD. The reason I asked the question was it appears to me that we are so deeply impressed with the philosophy of subsidies into our production, philosophy of price controls, philosophy of inflation and deflation, that there is no possible way on earth or no practical way for us to eliminate that with the coming of the post-war period or the cessation of major hostilities in Europe and Asia, and it will have to run its course until the country finally goes through the wringer. I just wondered if you had any views on that.

Mr. KEELEY. Well, of course, from the War Production Board angle, we are only concerned with the war period.

Mr. CRAWFORD. Down there you gentlemen sit in a position, I think, to survey the forces at work better than any other group of men in the country. I think what you say and do down there will have a great deal to do with what is done in the future. That is all.

The CHAIRMAN. Mr. Brown, do you have any questions?

Mr. BROWN. You would not advocate subsidies for these high-cost mines after this war is over, would you?

Mr. KEELEY. Speaking personally?

Mr. BROWN. Yes, sir.

Mr. KEELEY. I would not.

Mr. BROWN. That is all.

The CHAIRMAN. Mr. Gamble.

Mr. GAMBLE. If you find that you do not need these metals in the amounts you are contracting for and the war is over on both fronts, you can, as you state in your letter—you have a clause providing for a 30-day cancellation that you recommended be changed to 60 days. Did I hear you correctly?

Mr. KEELEY. That is in the procedure at present.

Mr. GAMBLE. So that if you find that you do not need all that you contract for, it would be your policy to go ahead and cancel, would it?

Mr. KEELEY. Yes; that is true.

Mr. GAMBLE. That is all, Mr. Spence, thank you.

The CHAIRMAN. Mr. Patman, do you have any questions?

Mr. PATMAN. I would like to ask you a question about the price of copper. What was the highest price paid for copper under the subsidy plan?

Mr. KEELEY. I will have to ask Mr. Hays, who is head of the quota committee, to answer that, I think.

Mr. PATMAN. All right.

Mr. HAYS. Well, the highest premium price paid was equivalent to about 27 cents per pound, f. o. b. Connecticut Valley.

Mr. PATMAN. That, compared with the other price, would be about 15 cents higher, than the ceiling price; would it not?

Mr. KEELEY. That is correct.

Mr. PATMAN. I am sure you do not have the information now because you did not anticipate the question, but I wish you would have prepared for me a table showing the amount of copper that was purchased in the war effort.

In other words, by the War Department, Navy Department, and all the different departments of our Government, including Lend-Lease, from the time the war was declared, until the end of 1944, and the amount we actually paid for that copper.

Next, the amount we would have paid if we had raised the price instead to the top price. If the top is 27 cents, have a table showing, if we had raised it to 27 cents, how much we would have had to pay for all the copper. You understand what I want; do you not?

Mr. KEELEY. Yes, sir. The only difficulty in supplying that information is the allocation of copper to the various agencies.

Mr. PATMAN. I do not care about that. The amount that was purchased—you might say that went into the national debt, the amount that the Government paid for. That could be easily segregated; could it not?

Mr. KEELEY. I believe——

Mr. PATMAN. If not, then, the total amount of copper. Suppose the price had been raised to the top premium price on all copper. How much would that have cost the consumers, including the Federal Government? That would make it easier; would it not?

Mr. KEELEY. Yes; that is comparatively simple.

Mr. PATMAN. And then we know that 60 percent approximately I presume was taken over by the Government for the war, somewhere near that; was it not?

Mr. KEELEY. Oh no, I would say probably more than that.

Mr. PATMAN. 75 percent? Anyway, that would be just an estimate, and I wish you would give me the same figures as to lead and zinc.

Mr. KEELEY. Yes, sir.

Mr. PATMAN. You will prepare that and put it in the record in connection with the testimony here. That is all.

Mr. KEELEY. Yes, sir.

Mr. PATMAN. That is all, Mr. Chairman.

The CHAIRMAN. Miss Sumner, do you have any questions?

Miss SUMNER. No questions.

The CHAIRMAN. Mr. Monroney.

Mr. MONRONEY. No questions.

The CHAIRMAN. Dr. Smith, any questions?

Mr. SMITH. No questions.

The CHAIRMAN. Mr. Folger.

Mr. FOLGER. I have no questions.

The CHAIRMAN. Mr. Kilburn, do you have any questions?

Mr. KILBURN. No questions.

The CHAIRMAN. Mr. Hays, any questions?

Mr. HAYS. No questions.

The CHAIRMAN. Mr. Buffett.

Mr. BUFFETT. I just want to be sure of one thing. Your board then approves of this bill the way it is set up; is that right?

Mr. KEELEY. Well, I want to point out one thing in answer to Mr. Gamble's question again, in regard to the 30-day cancelation, that if the bill is enacted as now written, of course that choice would not remain, then. But to answer your question directly, without that qualification, we think that that bill would serve to continue to obtain the war production necessary.

Mr. BUFFETT. That is the only change that you recommend in the bill as it is written?

Mr. KELLEY. Yes, sir.

Mr. BUFFETT. Thank you.

Mr. GAMBLE. That is what I had in mind, too, sir, when I was asking the question.

Mr. KEELEY. Well, we raised it as a question rather than asking for an amendment. I said under the existing method of operation, it would be procedure, whereas if we passed the bill as now written, of course, we could not make that change. We cannot cancel any quotas.

Mr. GAMBLE. Have you suggested an amendment to the bill in regard to what you are just saying?

Mr. KEELEY. No; we have not.

Mr. HOFF. Mr. Chairman, I would like to amplify what Mr. Keeley has been saying as to the noncancelability of the bill. We have no recommendation one way or another, as to whether it should be in there. We merely wish to make it plain, that as far as war production is concerned, we feel that we will be able to get just as much copper, lead, and zinc, if we have merely the right to continue to pay all the premiums throughout the year, and that with our intention to change the present 30-day cancelation provision on the B. C, and special copper to 60 days, there would be no lack of production or no loss in production because there was not a firm commitment for a year. Therefore, that the firm commitment for a year in the legislation is not required for war-production purposes.

The CHAIRMAN. It would work just as well under an optional power as a mandatory power.

Mr. KEELEY. Correct.

Mr. CRAWFORD. Mr. Chairman, may I ask a question on this point?

The CHAIRMAN. Mr. Crawford.

Mr. CRAWFORD. Mr. Keeley, I think it is fair to say that up to date, a great deal of hope for reconversion and economic stability has been based on the theory of a part war operation and part peace operation as between Europe and Asia. What would be your position incident to this particular phase which we are now discussing, should Japan decide to fold up rather suddenly, in preference to being destroyed as

Germany is being destroyed? In other words, surrender unconditionally, in preference to unconditional destruction. Would that have anything to do with this 30- or 60-day cancellation clause?

Mr. KEELEY. In that case, there would be no war requirements. That is your point?

Mr. CRAWFORD. Yes. In other words, the end of the war would come very suddenly. Instead of our having the privilege of sloughing off over a period of 6 months or a year, that is.

Mr. KEELEY. We would be committed under this bill to carry on for a year, as I understand it.

Mr. CRAWFORD. To that extent, then, you are involved on other than actual war production; is that not right?

Mr. KEELEY. Under this bill; yes, sir.

The CHAIRMAN. Mr. Thom, do you have any questions?

Mr. THOM. I pass, Mr. Chairman.

The CHAIRMAN. Mr. Hull, any questions?

Mr. HULL. No questions.

The CHAIRMAN. Mrs. Woodhouse.

Mrs. WOODHOUSE. I have no questions, thank you, Mr. Chairman.

The CHAIRMAN. Mr. Hoch, any questions?

Mr. HOCH. No questions.

The CHAIRMAN. Mr. Brumbaugh.

Mr. BRUMBAUGH. Do I understand that the maximum amount of subsidy you paid was 15 cents a pound on copper?

Mr. KEELEY. That is correct.

Mr. BRUMBAUGH. What do you think the natural price of copper would have gone to if there had been no controls? Do you think it would have gone as high as 27 cents a pound?

Mr. KEELEY. I do not know how to answer that question.

Mr. BRUMBAUGH. I was just trying to get at whether it would be a fair proposition to show the difference between what they paid for copper at a price of 27 cents a pound and what they are paying. I do not believe the price would have gone up that high.

Mr. KEELEY. I think perhaps the O. P. A. would be in a better position to answer that than we would from the production side of it.

Mr. BRUMBAUGH. Thank you.

The CHAIRMAN. Mr. Riley, do you have any questions?

Mr. RILEY. I have no questions.

Mr. KILBURN. Mr. Chairman, may I just ask him one question?

The CHAIRMAN. Mr. Kilburn.

Mr. KILBURN. Why can you not, if the 30- or 60-day cancellation clause is not put in this bill, have it in your contracts with the various companies anyway?

Mr. HOFF. If I may, Mr. Kilburn, the bill as presently written says that—

premium price plan shall be extended until July 30, 1946, on the same terms as heretofore.

Now, that would include the cancellation provision, you see—

except that all classes of premium shall be noncancelable, unless necessary in order to make individual adjustments of income to specific mines.

We would have no difficulty in answer to your question, in canceling it, except for that single "except" clause, down to "on the same terms

as heretofore" we would be all right, but then when you come to that, "except that all classes of premiums shall be noncancelable unless necessary to make individual adjustments of income to specific mines," that removes it from an administrative matter under an obligation to continue for a year.

Mr. BROWN. That would be hardly fair to cancel it, would it, to the procurers?

Mr. KEELEY. It has been fair in most cases; it has been fair in most cases where it has been done.

Mr. BROWN. You would not want to work a hardship on the producer, would you?

Mr. KEELEY. Well, I think there are——

Mr. KILBURN. But you would not want to buy more than you need.

Mr. BROWN. There are two sides to this question.

Mr. HOFF. There are two sides on that and we are merely trying to give you the war production angle. As far as our responsibilities are concerned——

Mr. BROWN. I will not enter into a contract with you if I just had 30 days' notice to quit. I would be afraid to.

Mr. HOFF. We are merely saying that as far as the war production is concerned, we do not need a firm commitment. Whether there should be a firm commitment for other consideration, is including those of people thinking it is fair or not, that is something on which we have no judgment.

Mr. THOM. Let me ask a question. What do you mean by that last phrase, "except that all classes of premium shall be noncancelable unless it is necessary to make individual adjustments with specific mines"? What do you mean by that?

Mr. KEELEY. Mr. Hayes will answer that.

Mr. HAYES. Mr. Thom, under the present rules and regulations of the premium price plan, the B quotas for lead, and the B and C quotas for zinc, are cancelable on 30 days' notice.

The basic A quotas continue throughout the life of the premium price plan, but those additional quota classes are now cancelable, and this bill, as written, would change it and make it mandatory to continue the B's and C's and special copper quotas throughout the entire life of the plan.

You understand that the A basic quotas, as originally outlined in the plan, were equivalent to 5 cents a pound for copper and 2¾ cents a pound each for lead and zinc.

Then, the B quota was an additional 2¾ cents a pound.

The C quota was a further additional 2¾ cents a pound, on zinc only.

Mr. THOM. I know, but this seems to imply that if an individual mine is not making money, you cannot cancel the contract. That is what I get from it. That may be entirely wrong.

Mr. HAYES. Well, so far as individual cases are concerned, this new bill does not prevent a cancellation or a change in quotas, or premium payments, but it does prevent the cancellation of the B and C and special copper classes as a whole.

Mr. GAMBLE. Mr. Spence, may I ask a question?

The CHAIRMAN. Mr. Gamble.

Mr. GAMBLE. The B and C classifications are the higher cost producing volumes?

Mr. KEELEY. Yes, sir.

Mr. GAMBLE. That is what I had understood. So that you would get enough if it is all over, you would still get considerable quantity from your class A contracts, which are noncancelable, for stock pile or what have you?

Mr. KEELEY. That, of course, depends upon the requirements of the military.

Mr. GAMBLE. Yes.

Mr. KEELEY. But it is assumed that you would still be able to get additional production under the class A premiums only.

Mr. GAMBLE. Thank you.

The CHAIRMAN. If there are no further questions, the witness may stand aside.

We will call Mr. Emerson from the Office of Economic Stabilization.

Mr. Emerson, you may proceed.

STATEMENT OF THOMAS I. EMERSON, GENERAL COUNSEL, OFFICE OF ECONOMIC STABILIZATION

Mr. EMERSON. My name is Thomas I. Emerson, general counsel, Office of Economic Stabilization.

I have no formal statement, Mr. Chairman. I simply want to say that the Office of Economic Stabilization is completely in support of this bill. In our judgment, it is essential to a continuation of the stabilization program in its present form. Without this bill, the stabilization program as now being carried out would not be possible, and stabilization would be seriously jeopardized.

As Judge Patterson said this morning, we think the stabilization program has been successful. We therefore think it should be continued in its present form.

As times goes on, and as war pressures against stabilization increase, the balance becomes even more delicate, so that any interruption at the present time would be extremely serious. For this reason, we are completely in support of the present bill, and think it essential that it pass.

The CHAIRMAN. Do you think it is important that this legislation should be enacted into law as soon as possible?

Mr. EMERSON. Yes, it is, Mr. Chairman. It is quite important, particularly in connection with flour, but also in connection with other parts of it, because it is important to know in advance under what conditions the economy will be operating after July 1.

The CHAIRMAN. Are there any questions, Mr. Crawford?

Mr. CRAWFORD. Mr. Emerson, who is the Economic Stabilization Administrator at the moment?

Mr. EMERSON. Mr. William H. Davis.

Mr. CRAWFORD. He followed Mr. Vinson?

Mr. EMERSON. That is right.

Mr. CRAWFORD. Taking the powers under which you operate, do they cease with the end of the war emergency?

Mr. EMERSON. Yes, we operate under an Executive order which was issued under the Stabilization Act of October 2, 1942, and therefore that power expires at the same time as the Emergency Price Control Act.

Mr. CRAWFORD. In other words, then, if Congress extends the Emergency Price Control Act beyond the major military hostilities, the jurisdiction of the Economic Stabilizer likewise continues. That is correct, is it not?

Mr. EMERSON. Yes, that is correct.

Mr. CRAWFORD. That is, unless we amended the law.

Mr. EMERSON. Yes; that is right.

Mr. CRAWFORD. Has your department made any estimates, or have you any information you could give us, as to what you calculate the national income would drop, and the number of unemployed we would have, should there be a quick cessation of hostilities in both Europe and Asia?

Mr. EMERSON. No; we have not made any estimate on that, Congressman. Mr. Davis, as you know, has just taken office recently. There have been a number of other estimates made in various quarters, but there has been no study thus far by this office on that point.

Mr. CRAWFORD. I am surprised at that statement. You do not mean to say that the Economic Stabilizer is not projecting figures on unemployment and the drop in national income, incident with his important position which he now occupies, do you?

Mr. EMERSON. Well, of course, we are——

Mr. CRAWFORD. In other words, let me state it this way: You take the death of our President, the reconversion plans, which having to be so suddenly shifted incident to the developments in Europe; what I am trying to bring out is, what studies, what information you can give us, from the Office of the Economic Stabilizer, incident to what we have to face if these things continue to fold up so suddenly as they now appear? Do you have any figures on potential unemployment or drop in national income?

Mr. EMERSON. Well, I cannot give you any data on that at this minute, Congressman. We are, of course, making studies of that problem, but, as I say, Mr. Davis has only been in office approximately a month, and he is not prepared to, as far as I know, issue or announce any plan along those lines.

Mr. THOM. Mr. Crawford, other departments have given figures on their estimates of what unemployment would be.

Mr. CRAWFORD. I understand the War Production Board is thinking in terms of a 50-percent drop in industrial production. Unemployment of somewhere between 8 and 10 million people and drop in the national income of around \$40,000,000,000. I just wondered if you had any figures along that line.

Mr. EMERSON. No, I have no figures I can give the committee at this time.

Mr. MONRONEY. Will you yield, Mr. Crawford?

Mr. CRAWFORD. Yes.

Mr. MONRONEY. Your authority is for the maintenance of price controls and wage controls. Is that not the purpose for which you were set up, during the war, and not to consider post-war reconversion plans?

Mr. EMERSON. Yes, our authority is in connection with the field of stabilization, economic stabilization, which is primarily price control and wage-control matters. I think Mr. Vinson's office, as Director of War Mobilization and Reconversion, would be more likely to have plans along the lines of full employment and full production. That is not quite within our field.

Mr. CRAWFORD. They might have more figures, but my contention is that your position as Economic Stabilizer is the most important position occupied by any person in Government service today that has anything to do with our economy, because through your gateway must be cleared these other things. You can say "No" or you can say "Yes." I think you hold within your hands the guillotine that you can drop on American industry, or that will permit American industry to operate successfully or unsuccessfully, depending upon the policy of the Economic Stabilizer.

The CHAIRMAN. Mr. Monroney, any questions?

Mr. MONRONEY. No questions.

The CHAIRMAN. Mr. Gamble.

Mr. GAMBLE. No questions.

The CHAIRMAN. Miss Sumner.

Miss SUMNER. Is it true that you used to be in the Meat Division of the O. P. A.?

Mr. EMERSON. No; I was Deputy Administrator for Enforcement in O. P. A.

Miss SUMNER. You had nothing to do with meat?

Mr. EMERSON. Well, yes, in connection with enforcement of meat regulations. My duty was enforcement of all types of O. P. A. regulations, among which were the meat regulations. I was not specifically or exclusively involved in meat.

Miss SUMNER. That is all, Mr. Chairman.

The CHAIRMAN. Mr. Folger.

Mr. FOLGER. No questions.

The CHAIRMAN. Dr. Smith.

Mr. SMITH. I have no questions, thank you, Mr. Chairman.

The CHAIRMAN. Mr. Hays, any questions?

Mr. HAYS. I have no questions.

The CHAIRMAN. Mr. Brumbaugh.

Mr. BRUMBAUGH. I have nothing.

The CHAIRMAN. Mr. Thom.

Mr. THOM. I have nothing.

The CHAIRMAN. Mrs. Woodhouse.

Mrs. WOODHOUSE. I have no questions.

The CHAIRMAN. Mr. Hoch.

Mr. HOCH. I have no questions.

The CHAIRMAN. Mr. Riley.

Mr. RILEY. No questions.

The CHAIRMAN. Mr. Monroney, do you have a question?

Mr. MONRONEY. I want to ask one question.

Mr. Emerson, do you have any figures now as were available last year as to how much the Little Steel formula would have to be raised if the authority to use the entire food-subsidy program was discontinued?

Mr. EMERSON. No, I do not have those. I might be able to supply them. It would, of course, be—at least I could give you an estimate on that, I think, but it would obviously depend on a good many factors that are quite uncertain.

Mr. MONRONEY. We had pretty good estimates when the matter was up last year about the ultimate cost, even to the Army and Navy, and the lend-lease bill, if the subsidy program were stopped, because, as you know, it would be magnified through the various processing

channels to become several times greater than the actual dollars-and-cents cost of the food-subsidy program.

Mr. EMERSON. Well, you could obtain an estimate as to the increases in prices to consumers, of the products under the subsidy program.

Mr. MONRONEY. And project upon that increase the percentages of Government purchases of those commodities?

Mr. EMERSON. Yes.

Mr. MONRONEY. I think that would be helpful in the hearings, if you could let us have such a statement.

Mr. EMERSON. All right, I will submit it.

Mr. MONRONEY. Also that should include perhaps the adjustment of direct labor costs, which the Government is paying through its war purchases.

Mr. EMERSON. Very well.

(The information referred to is as follows:)

NOTE ON FOOD SUBSIDIES AND THE WAGE-PRICE REPERCUSSIONS OF THEIR ELIMINATION

In 1944 it was estimated¹ that in the absence of Commodity Credit Corporation food subsidies, totaling \$1,000,000,000 per year,² price rises would be necessary which would increase retail food costs by 7 percent and the cost of living by nearly 3 percent. On the assumption that, on the average, resulting wage adjustment would amount to 0.8 percent for each 1 percent of rise in the cost of living, a wage increase of nearly 2.4 percent would follow. With salaries and wages estimated at \$100,000,000,000 for the year (the actual total for 1944 came to \$111,000,000,000), the increase in the wage and salary bill, if food subsidies were eliminated, was estimated at over \$2,300,000,000.

At the present time, Government expenditures for all food subsidies run at an annual rate of \$1,400,000,000. These subsidies prevent increases estimated to average slightly less than 8 percent in retail food costs and slightly more than 3 percent in the cost of living. Applying the same assumptions as were made last year and using the current annual rate of salaries and wages (approximately \$115,000,000,000), the increase in the wage and salary bill if food subsidies were eliminated is estimated at \$2,800,000,000.

In last year's figures, the further consequences of such a wage increase were estimated. It was found that after two rounds of wage and price adjustments, elimination of \$1,000,000,000 subsidy expenditures would have resulted in price increases for goods and services totaling \$4,600,000,000. About \$1,600,000,000 of this amount would be borne by the Federal Government, and \$3,000,000,000 by consumers. This was the most conservative estimate. Using less conservative but more probable assumptions, a total increase of more than \$8,000,000,000 was estimated, of which over \$5,000,000,000 would be borne by consumers and slightly less than \$3,000,000,000 by the Government.

Applying the same assumptions to this year's data (but basing the estimates on the total food subsidy expenditures) the rise in the cost of goods and services, avoided by the use of food subsidies totaling \$1,400,000,000, is estimated conservatively at \$6,100,000,000 (\$3,600,000,000 to consumers and \$2,500,000,000 to the Government), and less conservatively at \$10,500,000,000 (\$6,000,000,000 to consumers and \$4,500,000,000 to the Government).

Mr. PATMAN. Mr. Chairman, may I ask a question?

The CHAIRMAN. Mr. Patman.

Mr. PATMAN. You are with Mr. Davis, now, are you, Mr. Emerson?

Mr. EMERSON. Yes, I am.

Mr. PATMAN. Since you are in Economic Stabilization, I want some prices on steel. I want you to take the prices of steel, during the First World War, and the prices of steel in this war, down to the end

¹ The Essential Role of Subsidies in the Stabilization Program, Office of Price Administration, Government Printing Office, Washington, 1944, pp. 6-10. (Indirect savings.)

² Congress, in February 1944, was considering withdrawal of funds for the Commodity Credit Corporation subsidy programs, representing an annual cost of \$1,000,000,000 out of a total of \$1,350,000,000 for all food subsidies.

of 1944, and I want you to show, in a table, the production of steel and how much it would have cost in 1944 if we had paid the same prices that we paid during the First World War. Can you do that all right?

Mr. EMERSON. Yes, I take it the O. P. A. would have those figures. We would probably get them from them, but we could obtain them and supply them for you.

Mr. PATMAN. Well, you are kind of the godfather to O. P. A., are you not?

Mr. EMERSON. We could get them and supply them for the record, Congressman; yes.

Mr. PATMAN. You will be able to get them, will you?

Mr. EMERSON. Yes.

Mr. PATMAN. All right, what about a 45,000-ton battleship? I would like to compare the cost on steel alone, a battleship as made in the Second World War, compared to the cost in the First World War, just insofar as the cost of steel is concerned. Will you try to get that for me?

Mr. EMERSON. I will do what I can do on that; yes.

(The information referred to is as follows:)

*Cost to buyers of finished steel output July–December 1940 and annually 1941–44¹—
(a comparison based on price movements of the 2 war periods)*

[Dollars in millions]

Period	Iron and steel price index ²		Cost of finished steel products based on index of—		Saving— (1) minus (2)
	World War I	World War II	World War I (1)	World War II (2)	
July 1940–December 1940.....	111.2	99.9	\$2,295	\$2,061	\$234
January–December 1941.....	186.8	101.4	8,374	4,805	3,569
January–December 1942.....	296.5	102.2	14,238	4,906	9,332
January–December 1943.....	246.6	102.2	12,227	5,066	7,161
January–December 1944.....	220.8	102.1	11,273	5,216	6,057
Total.....			48,407	22,054	26,353

¹ July 1940 was first month of the fiscal year in which the defense program got under way.

² Bureau of Labor Statistics wholesale index of iron and steel prices, converted for World War I period to July 1914 equals 100 and for World War II to August 1939 equals 100. Index for World War I period matched, month by month, to World War II period, for example, July–December 1940 corresponds to June–November 1915.

EXPLANATORY NOTE

This table is necessarily hypothetical. It is based upon four factors—(1) the average return per ton of finished steel in 1939; (2) the monthly tonnage of finished steel production during the period July 1940–December 1944, as reported by the American Iron and Steel Institute; (3) the Bureau of Labor Statistics index of wholesale iron and steel prices with August 1939 taken as 100; and (4) the Bureau of Labor Statistics index of wholesale iron and steel prices, with July 1914 taken as 100, matched against the corresponding months of the present war, for example, July 1940–June 1915, December 1944–November 1919.

The costs as thus calculated represent what the actual output of finished steel products would have cost, under each of two price movements (one actual, one hypothetical) neglecting minor price adjustments and other factors not reflected in the Bureau of Labor Statistics index, if the “product mix” of 1939 had remained unchanged.

The 1939 “product mix” did not, however, continue, and because of the shift to the production of the higher-cost steels required in war production, the actual

bill exceeds the amount appearing as the World War II cost. In similar manner, because the index for the earlier war period also excludes the effect of the shift to war steels, the World War I calculation is an understatement of what the actual bill would have been under a repetition of the price pattern of that period.

The saving shown is therefore a saving on a hypothetical tonnage, equal to that actually produced, but having a standard pre-war composition rather than the composition which actually prevailed during the periods covered.

The CHAIRMAN. Mr. Emerson, we are glad to have your statement. Thank you for appearing.

The committee will adjourn until 2 o'clock, when we will hear Mr. Brownlee and Mr. Field of the O. P. A.

Miss SUMNER. Mr. Chairman, are there any opposition witnesses to this bill?

The CHAIRMAN. No, I do not know anybody that is opposed to it.

Mr. PATMAN. Has anyone made application to be heard?

The CHAIRMAN. Not that I know of.

We will adjourn the meeting until 2 o'clock.

(Thereupon, at 12:30 p. m., a recess was taken until 2 p. m., the same day.)

AFTERNOON SESSION

The CHAIRMAN. I understand there may be several roll calls in the House. I do not think it would be advisable for us to proceed, generally, this afternoon, but I am going to hear Mr. Goodloe with reference to an amendment that he desires to incorporate. Then we will decide what we will do. I think we had better adjourn and continue tomorrow.

Mr. Goodloe.

STATEMENT OF JOHN D. GOODLOE, GENERAL COUNSEL, RECONSTRUCTION FINANCE CORPORATION—Resumed

Mr. GOODLOE. Mr. Chairman, it is my impression that the committee has covered virtually all phases of the bill with the exception of meat, and, as I explained yesterday, there have been two rather fundamental changes in the meat program since we appeared before the Senate committee, and since the estimate for meat for the fiscal year 1946 was fixed at \$560,000,000. The representatives of the Office of Price Administration are here and will explain those changes in the meat-subsidy program, and will give some indication of the additional cost, and the amount of the increase in the estimate of \$560,000,000 which will be required.

Sometime after the Office of Price Administration established dollar-and-cent ceiling prices on wholesale meat cuts, there developed a situation—

The CHAIRMAN. I wish to interrupt the witness for a minute. I understand the agricultural report has been adopted so there will be no other roll calls, so we may proceed with Mr. Brownlee and Mr. Field as soon as you are through. Proceed, Mr. Goodloe.

Mr. GOODLOE. Some months after the Office of Price Administration established dollar-and-cent price ceilings on wholesale meat, there developed a situation in which the small nonprocessing slaughterer was being rather severely squeezed. In order to meet that situation, Defense Supplies Corporation, in October 1943, pursuant to a directive issued by the Director of Economic Stabilization, provided

regulations under which those small nonprocessing slaughterers as defined in the regulation were to receive extra compensation. The amount of that compensation, I believe, at the moment, is 80 cents per hundred pounds on beef.

As was inevitable in any case where a class of slaughterers was carved out by definition to receive extra compensation, there were bound to be borderline cases. We have quite a few such cases now, where the slaughterer believed, reasonably and in good faith, that he was eligible for the extra compensation, relied on it, and was paid that extra compensation, and many months later, upon investigation, we found that for one reason or another he was not, in fact, eligible.

In some cases his eligibility was due to an honest misunderstanding on his part, and in many of those cases some measure of relief we believe, should be granted.

We have taken the position, in Defense Supplies Corporation, that the man was either eligible or he was not eligible, and that if he was not eligible, then irrespective of the reason for his noneligibility, he owes the amount of extra compensation that has been paid him.

Now, we have never insisted, in any such case, that he pay all of the money back immediately so as to force him out of business. We have insisted either that he acknowledge his obligation to repay it, and amortize the repayment of that over a reasonable period, or else that it would be necessary for us to withhold payments currently due him after his factor of ineligibility has been removed, until we have in that manner recouped the entire amount of the extra compensation paid him during the period that he was ineligible.

I would like to propose an amendment to the bill, to be inserted at the point in the bill that the legislative counsel for the committee thinks most appropriate. It occurs to me it might be more appropriate to make it a separate section of the bill. It is as follows:

Any slaughterer not in a class eligible for extra compensation payments, under livestock slaughterer payments regulation numbered 3 of Defense Supplies Corporation, adopted pursuant to directives of the Director of Economic Stabilization, who has received or may hereafter receive subsidy payments, shall be relieved of obligation to repay the amount thereof in whole or in part, to the extent that it is determined by the Director of Economic Stabilization, or any agency of the Government authorized by him, that such producer believed reasonably and in good faith that he was eligible to receive such subsidy payments for his production, and that the repayment would involve undue hardship and would be contrary to the interests of the stabilization program and the maintenance of essential production.

This proposed amendment has been discussed with the appropriate representatives of the Office of Economic Stabilization and with the Office of Price Administration, and they are in full accord with this suggestion.

I would like at this point also to insert in the record an excerpt from amendment No. 2, to regulation No. 3, issued by Defense Supplies Corporation on October 30, 1943, which contains the definition of the nonprocessing slaughterer, who would be eligible for the extra compensation allowance that we are now discussing.

(Amendment No. 2 is as follows:)

EXCERPT FROM AMENDMENT NO. 2 TO REGULATION NO. 3 OF DEFENSE SUPPLIES CORPORATION LIVESTOCK SLAUGHTER PAYMENTS, ISSUED OCTOBER 30, 1943, EFFECTIVE NOVEMBER 1, 1943

SECTION 14. EXTRA COMPENSATION FOR NONPROCESSING SLAUGHTERERS OF BEEF

(a) *Definitions.*

(1) "Nonprocessing slaughterer of beef" means an unaffiliated slaughterer as hereinafter defined who during six consecutive months of 1942, sold, and who currently sells, 98% or more, measured in dressed carcass weight, of the total beef produced from cattle slaughtered by him in all his establishments, in the form of carcasses, wholesale cuts, boneless beef, or ground beef.

(2) "Unaffiliated slaughterer" means a slaughterer who does not own or control a processor or purveyor of meat, and who is not owned or controlled by a processor or purveyor of meat. "Unaffiliated slaughterer" shall not include any institution, representative or agency of Federal, State or local governments.

(3) "Processor or purveyor of meat" means a person who processes fresh beef or sells or dispenses fresh or processed meat or products containing meat, at wholesale or at retail, or in a hotel, restaurant, or other eating establishment.

(4) "Own or control" means to own or control directly or indirectly a partnership equity or in excess of 10 percent of any class of outstanding stock or to have made loans or advances in excess of 5 per cent of the other person's monthly sales.

(5) "Beef" means meat derived from the carcasses of bovine animals which does not qualify as veal as defined in paragraph 1364.470 (3) of Revised Maximum Price Regulation No. 169 issued by the Office of Price Administration.

(6) "Cattle" means bovine animals, slaughter of which results in the production of beef.

(7) "Carcasses" means beef carcasses as defined in paragraph 1364.455 (a) (8) of Revised Maximum Price Regulation No. 169 issued by the Office of Price Administration.

(8) "Wholesale Cuts" means beef wholesale cuts as defined in paragraphs 1364.455 (a) (9) of Revised Maximum Price Regulation No. 169 issued by the Office of Price Administration.

(9) "Boneless beef" means the dressed carcass equivalent of beef covered by paragraphs 1364.452 (l), (m), and (n) of Revised Maximum Price Regulation No. 169 issued by the Office of Price Administration.

(10) "Ground beef" means the dressed carcass equivalent of ground beef as defined in paragraphs 1364.452 (p) (4) of Revised Maximum Price Regulation No. 169 issued by the Office of Price Administration.

The CHAIRMAN. The purpose of it is that if an honest mistake has been made, and an extra subsidy has been paid, you exercise your judgment as to whether or not it should be repaid. Is that the purpose of it?

Mr. GOODLOE. That is to a substantial extent, sir. We have taken the position that we might set up a machinery to meet situations of this character prospectively, but that we lack the legal authority to make such a determination as applied retroactively to payments made during an earlier period.

The CHAIRMAN. The distinction between this and the law on the statute books, I presume, is that any man or every man is presumed to know the law.

Mr. GOODLOE. Well, we have tried to make the regulation as clear as possible. But there have been some honest misunderstandings, and some mistakes made.

The CHAIRMAN. And it has resulted in great hardship?

Mr. GOODLOE. It would if, in certain cases, they were required to repay the amount of extra compensation they have received.

The CHAIRMAN. I am sure the committee will consider the amendment when we come to the consideration of the bill. Mr. Crawford.

Mr. CRAWFORD. Mr. Goodloe, let us see if I understand your presentation. At the time this ruling was made, we had two distinct

types of slaughterers; we had the processing slaughterer, like Swift & Co., Armour & Co., and then we had the small slaughterer, the very small plant, which killed the animal, prepared the carcass for dismemberment, and sold it as a whole carcass or as a dismembered carcass to institutions and retail establishments, we will say.

Mr. GOODLOE. That is correct, sir.

Mr. CRAWFORD. Now then, your subsidy then, of what was it, \$1 per hundred pounds?

Mr. GOODLOE. It was 80 cents a hundred.

Mr. CRAWFORD. On the other, for the processor. The basic subsidy.

Mr. GOODLOE. The basic subsidy started out at \$1.10 and it has been changed several times.

Mr. CRAWFORD. All right; \$1.10 was paid to the processing slaughterer; is that right?

Mr. GOODLOE. That is correct.

Mr. CRAWFORD. Then that brought this small fellow, who did not process his meats, into a squeeze, where he could not continue, and where his community could not have his services because of his inability to operate under the competition of the process slaughterer?

Mr. GOODLOE. Well, the basic compensation, the \$1.10, which we used for illustration, was paid to all of them, the processing and the nonprocessing.

Mr. CRAWFORD. Right.

Mr. GOODLOE. But in addition to that the nonprocessing slaughterer was paid the 80 cents extra compensation.

Mr. CRAWFORD. That was a secondary step which you took, the 80 cents step?

Mr. GOODLOE. That is correct.

Mr. CRAWFORD. Now, in establishing the 80 cents subsidy, you set up a definition?

Mr. GOODLOE. Yes, sir.

Mr. CRAWFORD. Which, of course, was technical, and necessarily had to be done?

Mr. GOODLOE. I am afraid it could be so regarded.

Mr. CRAWFORD. And then, under that definition and announcement, these nonprocessing slaughterers in some cases expanded their plants, and put in additional facilities, so as to meet the increased requirements of the trade, and they in turn received the subsidy benefits?

Mr. GOODLOE. That is correct, sir.

Mr. CRAWFORD. Now, then, you have a few cases where it has since been determined that they were not, under the definition, strictly entitled to that additional subsidy of 80 cents?

Mr. GOODLOE. That is precisely the situation.

Mr. CRAWFORD. So you are in the position where you cannot proceed to recover from the nonprocessing slaughterer, the 80 cents per hundred you have paid him, and at the same time let him survive economically?

Mr. GOODLOE. Yes; it would undoubtedly be a hardship in a great many cases.

Mr. CRAWFORD. So your amendment would authorize action to be taken on the decision of whom?

Mr. GOODLOE. The Director of Economic Stabilization or any agency he may designate.

Mr. CRAWFORD. That could relieve that particular processor of this 80 cents per hundred liability to your agency?

Mr. GOODLOE. That is correct, sir; and in any case where he finds that the producer, reasonably, and in good faith, relied on it, and that it would be an undue hardship to require repayment and that repayment would not be in the interests of the stabilization program and the maintenance of essential production, that is correct, sir.

Mr. CRAWFORD. Some of the members are asking for the amendment which you read.

The CHAIRMAN. You can insert that in the record.

Mr. GOODLOE. I will put the amendment in the record, also the definition of the nonprocessing slaughterer.

Mr. GAMBLE. Would you mind reading that amendment again? Some of the members were not here.

Mr. GOODLOE. Certainly.

(Thereupon, Mr. Goodloe read the amendment a second time for the benefit of committee members who were absent to answer a roll call.)

Mr. GAMBLE. In other words, where, through a misunderstanding, he has received this, he would not be penalized?

Mr. GOODLOE. That is correct, sir.

Mr. MONRONEY. Unless the Economic Stabilization Director decided that he could remain in business and still pay it back, as I understand it.

Mr. GOODLOE. That is right, it requires a finding of undue hardship as well as good faith and reliance.

Mr. MONRONEY. That is right. No matter how much in good faith this man was, somebody down in the Department could say "No," if he was still able to break even and pay this off, is that not right?

Mr. GOODLOE. That is right, this would authorize us to relieve him of that obligation whenever the Director of Economic Stabilization made those determinations.

Mr. MONRONEY. How much would you save the Government by this discretionary relief? It seems to me that if they were all paid on a good basis, and in good faith, that we ought to either relieve them all or none.

Mr. CRAWFORD. Will you yield?

Mr. MONRONEY. Yes.

Mr. CRAWFORD. I think you would undoubtedly find that there are very few border-line cases. Now, if you can deal with these border-line cases equitably, fairly all the way through, and still make unnecessary the payment of that additional 80 cents to all of our processing slaughterers, you would save an enormous mount of money.

Mr. MONRONEY. But what we are talking about is getting back the 80 cents.

Mr. CRAWFORD. All right. You have some communities that depend entirely upon nonprocessing slaughterers for their meats. He cannot survive on the \$1.10 as has been demonstrated. So if you say to him, "You shall take the \$1.10 basic or go out of business," he will go out of business, and production is interfered with and your stability program is interfered with.

If you give him his 80 cents, his production is continued, stability is dealt with properly, we will say, but he gets the 80 cents over and

above the processing slaughterer. So I do not know whether there is any way that you can——

Mr. MONRONEY. I thought what we were talking about was that the men got the 80 cents to stay in business. Now, they find it was erroneously paid——

Mr. CRAWFORD. Erroneously paid, based on a definition.

Mr. MONRONEY. That is right. It seems to me as though you are vesting too much discretion in the hands of the Economic Stabilizer to give him the right to make fish out of one and fowl out of the other.

Mr. CRAWFORD. Suppose he has 50 cases to deal with. He deals with those in maintaining production. Personally, I will go a long way to keep a fellow in production. As I understand it, then, is the Economic Stabilizer limited to maintaining production and stability?

Mr. GOODLOE. Plus the determination that the slaughterer reasonably and in good faith relied on his eligibility.

Mr. CRAWFORD. That is right.

Mr. MONRONEY. But I think they all ought to stand on the same level, because processor A may have been erroneously paid this money and was an extra good operator, and had a low overhead, and would still be able to remain in business, and refund this money, that he should be compelled to refund the money that he received in good faith, whereas processor B who may have a sloppy business operation, and perhaps a large overhead, would be relieved of that liability. It seems to me that there is a point of equity involved there. We ought to treat them all alike, I think.

Mr. KILBURN. How much money is involved?

Mr. GOODLOE. I do not have any accurate estimate, but I would guess several hundred thousand dollars to date.

Mr. KILBURN. I feel rather the way Mr. Monroney does. He felt he was entitled to it, and the Government paid it to him. Then to have the Government wake up some morning and say, "You have to pay it back" does not seem very fair.

Mr. GOODLOE. Good faith is a difficult thing to establish, and we do not want to open it up so that we encourage fraudulent claims.

Another thing is that this says he shall not be required to pay it in whole or in part, if he relied in good faith, and it is an undue hardship.

Miss SUMNER. I do not understand why you have some people knowing that they are entitled to subsidies, I do not understand what kind of a situation you have, if you are paying subsidies, why they are entitled to it and why they are not entitled to it.

Mr. GOODLOE. May I read the definition of a processing slaughterer?

The CHAIRMAN. That is a pretty long definition, is it not?

Mr. GOODLOE. Yes.

The CHAIRMAN. You may put that in the record. It is a very technical definition.

Mr. GOODLOE. It is rather complicated.

The CHAIRMAN. It is quite complicated. You can put that in the record.

Mr. GAMBLE. That would be expected, would it not?

Miss SUMNER. Would it not be cheaper if you explained it in such words that the processor would know whether he is entitled to it or not?

The CHAIRMAN. Well, let me ask you a question. If there are two slaughterers under exactly the same conditions, who have received these subsidies, one by reason of his economic condition may not have

it returned to him and the other may, is that not the ultimate effect of this amendment?

Mr. GOODLOE. I am not sure I understood that.

The CHAIRMAN. Well, I say, suppose two slaughterers have operated in exactly the same way, they have gotten the same subsidies, under the same act. You can refuse to collect from one of them——

Mr. GOODLOE. They were both ineligible, you are assuming?

The CHAIRMAN. And the other one, you can make no effort to collect from. Is that not the purpose of this amendment? Because of the economic conditions, because of production, you treat them differently?

Mr. GOODLOE. I am assuming, in the illustration you have given, that they were both technically ineligible for the extra compensation.

The CHAIRMAN. That is right, you paid them both, under the same circumstances, both had the same attitude toward you as far as the law was concerned, and you paid them both. Now, you can exercise your judgment because of hardship whether you recover from one and do not recover from the other, or whether you attempt to recover from both, is that not the effect of this amendment?

Mr. GOODLOE. That is substantially correct, yes, sir.

Mr. KILBURN. I do not agree with that.

Mr. MONROEY. I do not think that is a good business principle to follow. You are leaving too much discretion in the hands of——

Mr. GOODLOE. Well, if in the case the Chairman gave as an illustration, the Director of Economic Stabilization either finds that one man did not reasonably rely in good faith, while the other man did, and he found that to not relieve the man that did so rely would jeopardize the stabilization program and interfere with the maintenance of essential production, if he determined that and recommended it to us, we could pay that man, and relieve him of the whole obligation, or any part, and not the other one. It would depend on the circumstances.

The CHAIRMAN. Suppose they were both equally innocent. Suppose they both accepted the subsidy thinking they were entitled to it. Have you the right to exercise judgment as to which one you would recover the subsidy from?

Mr. PATMAN. You mean under that amendment? Yes.

The CHAIRMAN. I think it would be true.

Mr. GOODLOE. Yes, under this amendment, I think that would be true.

The CHAIRMAN. Then there is the question of whether the necessity for production at this time should overcome the principle which I think we should consider, of equal justice under the law. Do you think that enters into it?

Mr. GOODLOE. I am not sure that I get your question.

The CHAIRMAN. I mean, this whole thing is done to increase production, to keep certain men in business that otherwise might go out of business because of the hardship that would result to them, in recovering from them a subsidy that has been granted to them.

Mr. GOODLOE. That is correct.

The CHAIRMAN. Sometime after this subsidy has been granted, then probably they will be unable to pay it?

Mr. GOODLOE. That is correct.

The CHAIRMAN. Now, there is a fundamental principle of law that all men are to be treated equally under the law, and that is a very

strong principle, it seems to me, and if you violate that principle—I do not know whether there is any reason to violate it in normal times—but if you violate it in these times there ought to be some impelling reason to violate it. The question here is production, is it not? We need production. And that can be the only incentive, it seems to me, that would authorize the Government to violate that fundamental principle.

Mr. GOODLOE. Well, in order to get the necessary production of meat, we have already, as I said before, carved out this special class of nonprocessing slaughterer, defined by regulation, which is entitled to extra compensation. This takes those few within that category, who have been paid in the belief that they were entitled to a subsidy, and when it is later determined that they were not, for some reason or other, it makes it possible to relieve those within that class, that the Director of Economic Stabilization finds reasonably and in good faith relied on it, and that to require the repayment would be an undue hardship and would interfere with the maintenance of necessary production.

The CHAIRMAN. That is based upon the maintenance of their continuance in business?

Mr. GOODLOE. That is correct.

The CHAIRMAN. It is not based on any moral turpitude of one as against the other. They may both be entirely innocent. One may be in such condition that he can pay and continue in business. He pays it. The other man, by reason of the fact that he is unable to pay the subsidy back sometime after he received it and continue in business, is allowed to keep the subsidy. No effort is made to obtain it from him. That is true, is it not?

Mr. GOODLOE. That is right. Now, is your question directed to that last phrase in the amendment I read, where it says, "and could be contrary to the interests of the stabilization program and the maintenance of essential production"?

The CHAIRMAN. That is right, there are two conflicting things.

Mr. GOODLOE. In other words, you would prefer to put a period after "hardship" and strike the rest of it?

The CHAIRMAN. It is a hardship ease. I realize that. It is based on that.

Mr. MONRONEY. That would still treat two men who were on the same basis differently.

Mr. BROWN. Let me ask you a question. Suppose the over-all costs of two men are the same. Now, would you go down there and give one of these men, for any reason, a subsidy and let him keep the subsidy and take it away from the other? I do not care if he is worth money. Suppose A is worth a good deal of money and B is not. Their over-all expenses are the same. Are you going to take the subsidy away from one of them and not take it away from the other?

Mr. GOODLOE. You are assuming that they both reasonably and in good faith relied on it?

Mr. BROWN. That is right.

Mr. GOODLOE. Then it is a question whether it would be a hardship or not. You must bear in mind that neither man was entitled to receive the payment in the first instance.

Mr. BROWN. Well, of course, for a man who has plenty of money, it would not mean a hardship, in the other case it would be a hardship.

Mr. GOODLOE. It is my understanding that under this we would only relieve the man where it would be a hardship not to do so—but then only if all the other conditions are met.

Mr. BROWN. I do not think that is just right.

Mr. MONRONEY. I think they all ought to stand on the same basis.

Mr. CRAWFORD. Is it not a fact that in the price administration law, and all the rationing rules and orders and regulations, and all the price ceilings, rules and orders and regulations, Congress has put in those laws, provisions for adjustments to be made in special cases?

Take your control of fluid-milk distribution. We know that individual distributors have come to O. P. A. and received special consideration. The same is true under rationing, as I understand it.

Mr. GOODLOE. I am not familiar with that, sir.

Mr. CRAWFORD. And I think Mr. Brownlee, when he gets on the stand, can testify that they do meet special cases. I am not arguing against the legal principle that is involved but I am just talking about what we have been doing right along.

Mr. MONRONEY. Well, this sets a pattern—

Mr. CRAWFORD. We have already set the pattern, and we have got it into operation. I can show you cases of it.

Mr. MONRONEY. The pattern is set on the way the man's price is set and we are going back to a pattern on recovery of losses because of whether a man is an efficient operator and can afford to pay it or is inefficient and cannot afford to pay it. We are going to set up a pattern of hundreds of claims.

Mr. GOODLOE. What you are suggesting, as I understand it, is to strike the last phrase from this proposed amendment?

Mr. MONRONEY. I think you have to strike the hardship part. I think you should strike everything except the good faith clause. I do not think you can divide the two and leave it for administrative determination, with the limitation as to whether this repayment would be a hardship on an individual or not.

Mr. GOODLOE. Well, if the Government has paid a man something that he was not entitled to—

Mr. MONRONEY. I think then he should be required to refund it.

Mr. GOODLOE. In every case, even though it puts him out of business and he acted reasonably and in good faith?

Mr. MONRONEY. Well, you have got to treat them all alike. I think, if the subsidy were paid on a basis of proper understandings, to relieve hardship and then the man said, "I must have this money or I cannot exist," then if it were a fraudulent claim, he should pay it back.

Mr. GOODLOE. I do not think there is any question but what Defense Supplies Corporation could amend today its regulations for the extra compensation on meat, and provide exactly what we have said here. But that would have application only prospectively. It would not give any authority to give any relief to some of the cases that have already occurred. That is the reason for the amendment.

Mr. BROWN. I think Mr. Monroney or rather Mr. Crawford was speaking about the hardship cases of O. P. A.

Now, the hardship cases of O. P. A. are cases where a man is doing a certain business and losing money. You cannot make any distinction.

The CHAIRMAN. There is the principle of the high cost and low cost producer.

Mr. BROWN. I know. Well, that is a hardship ease. But to just go in and say a man is able to lose, while another is not able to lose, that is not the way they arrive at hardship cases. It is whether or not he can make any money in following his partieuclar trade.

Mr. PATMAN. Supposing the big banker can make money—but this is nonprocess only?

Mr. GOODLOE. I am afraid I do not understand.

Mr. MONRONEY. The distinetion would be that one is in the blaek and the other is in the red.

Mr. PATMAN. If I understand right, two fellows got this money when they were not entitled to it as a matter of right. One of them can pay the money baek, and stay in business. The other one, if you make him pay it back, you put him out of business and the ineen-tive you would have to adjust in this would be to adjust it so that they would both be able to stay in business; is that right?

Mr. GOODLOE. I do not know how the Direetor of Eeonomie Stabilization would interpret and apply this provision, but my understanding is that relief would be given only in cases of hardship.

Mr. MONRONEY. How many are involved and what is the amount?

Miss SUMNER. It is like an award for ineffieieney.

Mr. GOODLOE. I would say that there are approximately 25 eases involved at the present time.

The CHAIRMAN. Twenty-five eases?

Mr. GOODLOE. Yes.

Mr. GAMBLE. This would apply to future cases, too, in the way it is drawn.

Mr. GOODLOE. That is eorreect.

Mr. GAMBLE. So you are euring the past and taking eare of the future?

Mr. GOODLOE. That is eorreect. You sec, the adjustment, in most cases even future cases, would in fact be retroaetive because our experience has been that it is the eourse of months before these eases turn up. I mean the man has been paid over a course of several months before his ineligibility is diseovered.

Mr. GAMBLE. How do you diseover that ineligibility? Through some visit to the plant, or through questionnaires?

Mr. GOODLOE. We send people out to investigate.

Mr. GAMBLE. Well then, by and large there are not very many cases involved here.

Mr. GOODLOE. No, sir.

Mr. MONRONEY. How many of these 25 would you say would be insolvent, and be relieved, and how many would be eompelled to pay?

Mr. GOODLOE. That is hard to guess. I would say less than half of them would get relief under this, in all probability. That would depend on a full investigation of all the facts by the Direetor of Eeonomie Stabilization and his recommendations to us, of eourse.

The CHAIRMAN. But you say the whole amount involved would be only two or three hundred thousand dollars?

Mr. GOODLOE. It would probably be more than that, but less than a million dollars, I would say.

The CHAIRMAN. Less than a million dollars?

Mr. GOODLOE. Yes.

The CHAIRMAN. Mr. Patman.

Mr. PATMAN. I have no questions at this time.

The CHAIRMAN. Miss Sumner.

Miss SUMNER. I have no questions at the moment.

The CHAIRMAN. Mr. Monroney.

Mr. MONRONEY. I still cannot quite feel that you are doing justice to the two men, who both have the same good faith. I wonder if you could not get at it by postponing it for a year or two, and allowing all of them to pay it back, or dismissing the claim at that time.

The CHAIRMAN. I think in normal times, one of the fundamental principles of our Government is that of equal justice under law, and it ought to prevail. It is just a question as to whether in these emergency times, production is sufficient to overcome that principle temporarily.

Mr. MONRONEY. I am not kicking so much about the failure to maintain production and forgive this overpayment, but I do think if you forgive it for one man that you ought to forgive it for the other man, who has been just as fair in thinking he was entitled to it, too.

Mr. GOODLOE. This is the way we think it ought to be done. Now, of course, it is a matter for this committee and the Congress to determine.

Mr. KILBURN. Would you yield?

Mr. MONRONEY. Certainly.

Mr. KILBURN. I think we are a little confused as to what we are talking about.

My understanding of your amendment is this: That if you have paid a man a subsidy, thinking he was going to be entitled to it, and he thinking he was going to be entitled to it, and then you find he is not, you are going to have to go after him to recover it. But because he is not worth anything, you are going to forgive him. The next man is worth a million dollars, so you are not going to forgive him. Both under the same circumstances. I do not think that is right. If you forgive one, you should forgive the other.

The CHAIRMAN. That is exactly——

Mr. MONRONEY. I think you are going to have to come in with a formula of operation. You cannot take into consideration the capital assets of the man. He may have accumulated that 10 years ago.

Mr. GOODLOE. I think we are probably under misapprehension of what we mean by the term "hardship" here.

Mr. BROWN. I think that is very important.

Mr. GOODLOE. It is not my understanding that the question of hardship is solely whether the man is able to repay or not. It is a question of whether or not, in view of all the circumstances, in connection with his payment, his reliance, his good faith, whether he ought to be allowed to keep the money under all the circumstances or whether we ought to recover all or part of it.

Mr. PATMAN. In other words——

Mr. GOODLOE. This does not mean solely financial hardship, or inability to pay. At least that is not my understanding of it.

Mr. PATMAN. In other words, if one of these packers received it in good faith, and passes it on to his employees, or passes it out in some way that is equitable and right, and has gotten it beyond his control, if he is required to pay it back, it would be a hardship.

There is another hardship, who did not pass it on at all, who just kept it in his own funds.

Mr. GOODLOE. There might be a situation like that; yes, sir.

Mr. PATMAN. Then you could require him to pay it back?

Mr. GOODLOE. That is correct, sir.

Mr. PATMAN. He has not passed it out at all and you might require him to pay it back?

Mr. GOODLOE. That is a very good illustration of the difference between my thinking of what hardship means, and what some members of the committee have suggested.

I do not understand that is solely a question of a man's ability to pay.

Mr. PATMAN. A man is not going to object to somebody else paying it back if he was never entitled to it. He got something that he is not entitled to receive. Why should he kick, if the Government, in a war, in order to encourage production—why should No. 1 object to No. 2?

Mr. MONRONEY. Well, supposing No. 1 and No. 2 are in the same community, and No. 1, enabled to pay it back, draws only a thousand dollars a year out of his business. And No. 2 draws \$10,000 or \$20,000 a year out of his business; yet on his books No. 1 would have to pay back this money because the business would show a profit, and No. 2, because of excess effective load, would be able to show that he had to have this. I do not think that is right.

Mr. PATMAN. A good administrator, in a case like that, would treat them both the same.

Mr. GAMBLE. But you are dealing with a lot of smaller people, who may not keep their books in such position that you can tell.

Mr. PATMAN. Well, 25 people, with \$300,000 involved——

Mr. MONRONEY. I think it ought to be redrawn, and see if you cannot work out something to put it on a basis of equity rather than determination by the Department on hardship.

Mr. GOODLOE. Well, I wanted to discuss the problem here, and suggest an amendment. The exact language and the place of the bill to be worked out with the legislative counsel for the committee, and I expect the representatives of the O. P. A. who will follow me perhaps can shed some further light on the subject.

The CHAIRMAN. Do any of the other members desire to interrogate the witness?

Mr. SMITH. I would like to ask a question.

The CHAIRMAN. Dr. Smith.

Mr. SMITH. Mr. Goodloe, my curiosity has been aroused about this definition of nonprocessing slaughterer, and I would like to have it read, please.

Mr. GOODLOE (reading):

"Nonprocessing slaughterer of beef" means an unaffiliated slaughterer as hereinafter defined who during 6 consecutive months of 1942, sold, and who currently sells, 98 percent or more, measured in dressed carcass weight, of the total beef produced from cattle slaughtered by him in all his establishments, in the form of carcasses, wholesale cuts, boneless beef, or ground beef.

"Unaffiliated slaughterer" means a slaughterer who does not own or control a processor or purveyor of meat, and who is not owned or controlled by a processor or purveyor of meat. "Unaffiliated slaughterer" shall not include any institution, representative, or agency of Federal, State, or local governments.

"Processor or purveyor of meat" means a person who processes fresh beef or sells or dispenses fresh or processed meat or products containing meat, at wholesale or at retail, or in a hotel, restaurant or other eating establishment.

"Own or control" means to own or control directly or indirectly a partnership equity or in excess of 10 percent of any class of outstanding stock or to have made loans or advances in excess of 5 percent of the other person's monthly sales.

Mr. SMITH. Would you elaborate on that definition for us? What do you mean by "to have made loans or advances in excess of 5 percent of the other person's monthly sales"?

Mr. GOODLOE. Well, one case which we have under consideration now is a case of a nonprocessing slaughterer who met all of the other requirements of this regulation, who needed some additional capital to expand his business, and instead of going to a bank, he borrowed \$5,000 from each of three individuals, all of whom were related to him, but each of whom was in the retail meat business. It so happened that the aggregate of those three loans, \$15,000, was in excess of 5 percent of the gross monthly sales. Therefore, he was ineligible, under this regulation, for the subsidy payment.

In that case, like in some others, I am reasonably sure he did not realize that; he applied for the extra compensation and was paid over a period of months, and it might well be that to require him now, under those circumstances, to repay that, would be an undue hardship.

Mr. MONRONEY. Would it be bad in effect to have him repay it, whether he had made money on the operation as a result of subsidy or not?

Mr. GOODLOE. You keep coming back with the question of hardship, as meaning solely whether the man is making money or not, or whether he is able or unable to repay. That is not my understanding of the hardship as used in this amendment.

Mr. MONRONEY. Well, maybe the choice of words is bad and should be cleaned up in the amendment, because obviously this case you cite is not the type of case you were trying to prevent from having this subsidy when you drew the regulation.

Mr. GOODLOE. That is correct.

Mr. MONRONEY. I do not think the committee would think that this man was not entitled to keep his subsidy simply because he happened to borrow some money from his kin folks who happened to be in the butcher business.

Mr. GOODLOE. Well, I am not wedded to this particular phraseology of the amendment so long as some appropriate language can be evolved that will give us the authority to grant relief in certain types of cases.

Mr. MONRONEY. Well, would it not get at it better by softening the word hardship to an attempt at reasonable compliance with the order? Maybe that is not the word, but it seems to me that is what you are driving at.

Mr. GOODLOE. When I talk about hardship, I think about it in the sense of being inequitable under all the circumstances. Maybe that the use of that terms would be a happier choice of words.

Mr. KILBURN. Why not use the word "inequitable"?

Mr. PATMAN. You know the facts in all those 25 cases, do you not, Mr. Goodloe?

Mr. GOODLOE. I do not personally.

Mr. PATMAN. I mean your department.

Mr. GOODLOE. Yes.

Mr. PATMAN. Why do you not present some of the other cases? You have just made out a good case now, and shown a case where he would not be entitled to it. In other words, show some justification for your language.

Mr. SMITH. Are you through, Mr. Patman?

Mr. PATMAN. Yes, sir.

Mr. GOODLOE. I would like to have Mr. Barnes, vice president of Defense Supplies Corporation discuss some of these individual cases, if you do not mind. He is familiar with them.

Mr. PATMAN. I hope you permit Mr. Barnes to discuss some of these other cases, Mr. Chairman.

The CHAIRMAN. Well, let us take Mr. Barnes after Mr. Goodloe is through.

Mr. BARNES. Well, one case, Mr. Patman, that I think might be considered in the other category, is a case we had in Illinois, a case in Chicago. In that case investigation revealed that 48 percent of the slaughterer's stock was owned by the partners of a hotel supply house, and incidentally, they had that stock ownership hidden, in the sense that it was owned by a dummy corporation, and therefore was not apparent on the record.

The eligibility could not be established on the basis of the joint record of the operation of the two firms, but was established however when the partners disposed of their stock. So from then on they were eligible for the extra compensation, but during the earlier period, since the hotel supply house dominated the slaughterer and controlled it in every respect, we felt that under the regulation literally and under the intention of the program, they were not entitled to receive that money. Now, that involved some \$350,000 that they had been paid.

The CHAIRMAN. That does not answer my question. What I want to know is, suppose they were absolutely identical in every respect?

Mr. BARNES. I cannot give you an example.

The CHAIRMAN. I know you cannot, but if they were identical, what would be the right to give or let one retain the subsidy over the other? There is no reason. They are both in exactly the same circumstances, in each case. Would the Economic Stabilization Director have the right to recommend that this subsidy would be returned to one and the other should not be allowed to recover his?

Mr. BARNES. Well, first of all, I do not think we have ever had two cases which were identical. We have never had the situation in the same area where you had two cases arise with similar facts, but it seems to me as a matter of sound administration, for enacting this amendment if it were enacted into law, the Office of Economic Stabilization would look at it from the standpoint of equity and if you had two situations which were similar, as you suggest, as a matter of equity, each one would be permitted to hold that money.

The CHAIRMAN. If the facts were substantially the same, they would be treated in substantially the same manner?

Mr. BARNES. That is right.

Mr. PATMAN. Why not add that language to the amendment?

Mr. GAMBLE. The case you just read would probably not be subject to cancellation?

Mr. BARNES. That would be my own personal recommendation. That is right, sir.

Mr. MONRONEY. I think is a matter of language.

The CHAIRMAN. I think we understand the legal effect of that amendment.

Mr. GOODLOE. I think changing "hardship" to "inequitable" would probably meet it.

The CHAIRMAN. I think the amendment can be drawn to carry out the purposes of the law.

Mr. PATMAN. Now, you have made out two good cases, one where it should be returned, and one where it should not.

Mr. GOODLOE. And there are many other cases that fall somewhere between those two—border-line cases.

Mr. GAMBLE. Mr. Goodloe, since you testified yesterday, would you turn to page 3 of the bill, lines 19, 20, and 21? This came up this morning in the discussions, under copper, lead, and zinc, as to non-cancelable contracts. As I understand it, that language was not in the bill when it was originally introduced, but it was inserted in the Senate committee, was it not?

Mr. GOODLOE. Yes, sir.

Mr. GAMBLE. And is the R. F. C. taking any position as to whether this would bar the right to cancel any contracts for a year, whether we needed the material or not?

Mr. GOODLOE. Well, at the time when that was mentioned, when we appeared before the Senate committee, we urged the committee not to act on it until they had heard representatives of the War Production Board, and the Office of Price Administration. The copper, lead, and zinc premium plan was undertaken by the Metals Reserve Company, a subsidiary of R. F. C. on the joint recommendation of W. P. B. and O. P. A. Metals Reserve, you understand, merely administers the program, and pays out the money.

Mr. GAMBLE. Yes.

Mr. GOODLOE. The policy objectives were determined by the two agencies mentioned that have the primary responsibility for those matters in connection with obtaining the necessary production of copper, lead, and zinc for wartime purposes.

Mr. GAMBLE. Did they take a position then later on that amendment?

Mr. GOODLOE. I do not believe that either organization was asked to testify on that before the Senate committee. The amendment was put in after the hearings had been concluded.

Mr. GAMBLE. Well, is there any objection from R. F. C. to taking it out?

Mr. GOODLOE. No, sir.

Mr. GAMBLE. That is all, Mr. Spence.

The CHAIRMAN. Are there any further questions of this witness?

Mr. MONRONEY. Is this the last time you will be before us, Mr. Goodloe, on this matter?

Mr. GOODLOE. It is the last time I had contemplated being before you during this hearing.

Mr. MONRONEY. The R. F. C., which is a lending agency, will be given a take-out on money which is being advanced under the subsidy program. Your capital stock is being impaired to take care of this subsidy program. There is no hope of recovery of any direct repayment to the R. F. C. in this operation?

Mr. GOODLOE. That is correct, and we also will have substantial losses in connection with many of the war plants that have been built by and are operated for the account of the R. F. C., or one of its subsidiaries, such as Defense Plant Corporation.

Mr. MONRONEY. It seems to me that we brought this up when C. C. C. was before us and I am bringing it up again under R. F. C.,

that these amounts which are spent, while I approve of the operation, should be taken care of at least on an annual basis by direct appropriations to reimburse the agencies that are handling it, otherwise your capital impairment is going to show up as losses when it is actually a war expense that this money is being spent for.

Mr. GOODLOE. That is correct. We will have very substantial losses in connection with our wartime operations. The regular activities of R. F. C., as you perhaps know, have been operated on a self-sustaining basis, including earnings sufficient to pay interest on the money we borrow from the Treasury plus all operating costs, and there has been accumulated a substantial surplus, but nothing like enough to offset the tremendous losses that will result from the wartime operations.

Mr. MONRONEY. And all these advances for the subsidy program just have to show up as losses in your statement, then?

Mr. GOODLOE. That is correct.

Mr. MONRONEY. Well, then, has there been any thought given to it? You have no authority, in law, to go before the Appropriations Committee, except in the last Price Control Act, which did authorize appropriations for this purpose. Now, instead of making an appropriation as it was urged at the time by Senator Taft—and I supported him on it—that the Congress authorize appropriations to take care of this, we find ourselves a year later still going about depleting our lending agency funds to take care of this operation.

Mr. GOODLOE. We have followed precisely the course, on this, that was followed in the commodity credit bill, and took it after an informal discussion with Senator Taft and some of his associates in the Senate Banking and Currency Committee.

Mr. MONRONEY. It seems to me that you will wind up the war with a lot of war expenditures on your books which will show up as losses when actually they were a legitimate part of the war expense.

Mr. GOODLOE. Well, I cannot speak with reference to that, but I would assume that at some appropriate time, the R. F. C. will come out either for an appropriation of an amount to cover that deficiency in wartime activities, or else ask that it be relieved of a corresponding amount of its obligations to the Treasury. But I cannot speak with reference to that, sir.

Mr. GAMBLE. That was done in one other case, was it not, where you paid out direct money that was lost? It was canceled, I believe.

Mr. GOODLOE. Yes; there was such a situation, I believe, in 1938, but that was largely, if not entirely, confined to those cases where the Reconstruction Finance Corporation had advanced money for relief and to other Government agencies pursuant to specific directions of the Congress.

Mr. GAMBLE. That is right. Well, this is pretty similar to that, so far as the specific direction is concerned.

Mr. GOODLOE. There may be a difference in degree, but the principle is the same.

Mr. MONRONEY. I do not think we should use our lending agencies as disbursement agencies for direct expenditure.

Mr. GAMBLE. I did not mean to imply that.

Mr. MONRONEY. My idea of good business operation in Government is that the lending agencies would loan and would have some paper that you could recover on, for everything they put out. Now,

by action or failure of the Appropriations Committee to appropriate for this, we find ourselves in the unhappy situation of authorizing expenditures by R. F. C., instead of making an appropriation for these current expenses.

Mr. GOODLOE. The operations embraced by S. 502, however, are a very small segment of the total problem that you are discussing, sir.

The CHAIRMAN. Are there any further questions of this witness, Mr. Kilburn?

Mr. KILBURN. That is all.

Mr. WOLCOTT. I would like to ask him a question.

The CHAIRMAN. Mr. Wolcott.

Mr. WOLCOTT. You base your amount of meat slaughtered on the subsidies he receives?

Mr. GOODLOE. I do not believe so, sir, but I would prefer to let questions of that sort be directed to the representatives of O. P. A. that will follow me and who are a good deal more familiar with the actual meat program than I am.

Mr. WOLCOTT. That is all.

The CHAIRMAN. You may stand aside, Mr. Goodloe.

Mr. HAYS. Mr. Chairman, I wonder if I could ask one question of this witness.

The CHAIRMAN. Mr. Hays.

Mr. HAYS. I wonder if you could advise me about a case that originated in my district, which is certainly far from typical. A man had been in the slaughtering business for about 30 years, and then he was out of the business until 1941 and went back in 1942. He was not eligible for subsidy, or did not know he was not eligible for subsidy until later. Are the regulations broad enough to cover that situation, or is he out?

Mr. BARNES. Perhaps I could answer that, Mr. Hays. The directive under which we are paying this extra compensation provides that as a requirement, they must have established a base in 1942. In other words, they must have been slaughtering for a 6 months' period in 1942 in order to be eligible for the extra compensation currently, and I think the case you have in mind is probably one in which he had no 1942 record. Is that not correct?

Mr. HAYS. That is correct, and 30 years prior to that he had been in business continually. It seems rather hard.

Mr. BARNES. I cannot answer the question as to why it was required. We are simply administering the program, and a basic principle in the program is the requirement that he must have a 1942 base.

Mr. WOLCOTT. How is the 1942 base determined? That is what I was trying to get at a while ago.

Mr. BARNES. He must have sold 98 percent or more of his slaughter during 6 consecutive months of 1942 in the form of boneless beef, carcass beef, and a couple of other categories.

Mr. WOLCOTT. That is separate as regards the subsidy?

Mr. BARNES. This is only as regards the 80 cents, the extra compensation of 80 cents a hundredweight, and only applies to that small group of nonprocessing slaughterers that are eligible to receive that extra subsidy.

Mr. WOLCOTT. What I was getting at is this: I had a case in my own town of a slaughterer who slaughters about 40 percent of the meat that is consumed there, and the poor devil did not know he had

any subsidies coming last year. I do not know, but he just did not know he had any subsidies coming to him, and when he came to this year's program, he said he could not slaughter anything because he had not received any subsidies last year.

Mr. HAYS. This directive, that you referred to, is in the Executive order?

Mr. BARNES. No, sir; that was issued by the Office of Economic Stabilization to us, and they in turn were authorized, I believe, by an Executive order, to give us directives of that type.

The CHAIRMAN. Mr. Buffett, do you have any questions?

Mr. BUFFETT. I have no questions.

The CHAIRMAN. Mr. Thom, any questions?

Mr. THOM. I have no questions, Mr. Chairman.

The CHAIRMAN. Mrs. Woodhouse.

Mrs. WOODHOUSE. I have no questions.

The CHAIRMAN. Mr. Brumbaugh, any questions?

Mr. BRUMBAUGH. Nothing, thank you.

The CHAIRMAN. Mr. Riley, do you have any questions?

Mr. RILEY. No questions, thank you, Mr. Chairman.

The CHAIRMAN. That seems to be all, Mr. Goodloe. You may stand aside. We are glad to have the benefit of your testimony.

Does the committee wish to proceed with the meat question this evening or do you wish to go on tomorrow?

Mr. Brownlee and Mr. Field are both going to testify, I understand. Will you be able to come back tomorrow?

Mr. BROWNLEE. I have an engagement, as I told you, with Senator Wagner. I think I can change that.

Mr. CRAWFORD. Mr. Chairman, perhaps, we could hear Mr. Brownlee for a while. Maybe he has a prepared statement.

The CHAIRMAN. Have you a prepared statement, Mr. Brownlee?

Mr. BROWNLEE. No, sir; I have not.

The CHAIRMAN. This is a pretty big question. I think we had better wait until tomorrow.

Mr. GAMBLE. What about Mr. Field?

Mr. FIELD. The only thing I had, Mr. Chairman, was, I would like to discuss briefly the premium price plan, if the committee wishes me to do it now.

The CHAIRMAN. You mean on meat?

Mr. FIELD. On copper, lead, and zinc, some of the questions that have been raised in connection with that.

The CHAIRMAN. Well, that will take some time, will it not?

Mr. FIELD. I should say it would be extremely brief, Mr. Chairman.

The CHAIRMAN. I think we had better adjourn and meet tomorrow morning at 10:30.

(Thereupon, at 5 p. m., the committee adjourned, to reconvene the following day, Thursday, April 26, 1945, at 10:30 a. m.)

1945 CONTINUATION OF RECONSTRUCTION FINANCE CORPORATION SUBSIDY PROGRAMS

THURSDAY, APRIL 26, 1945

HOUSE OF REPRESENTATIVES,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C.

The Committee on Banking and Currency met, pursuant to adjournment, at 10:30 a. m., the Honorable Brent Spence (chairman) presiding.

The CHAIRMAN. The committee will be in order.

Senator Bunker, Mr. Engel, and Mr. Harless, I believe, wanted to make statements. If there are any other representatives, though, who wish to make a statement or incorporate a statement in the record, they may do so.

Mr. ENGLE. Mr. Chairman, I would like to ask permission for Congressman Mansfield, of Montana, and Robinson, of Utah——

The CHAIRMAN. To file a statement?

Mr. ENGLE. Yes.

The CHAIRMAN. Without objection, it may be done.

(The following letter was later received from Congressman Mansfield:)

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D. C., April 28, 1945.

HON. BRENT SPENCE,
*Chairman, Committee on Banking and Currency,
House of Representatives, Washington, D. C.*

DEAR MR. SPENCE: I should like to urge the Committee on Banking and Currency to give favorable consideration to S. 502 introduced by Senator McFarland, of Arizona, on February 8, 1945.

As the committee well knows, this bill will authorize the Reconstruction Finance Corporation during the fiscal year ending June 30, 1946, to pay subsidies and incur losses not to exceed \$450,000,000 in the aggregate with respect to strategic metals and minerals and petroleum and petroleum products. This is a very important measure. In fact, I introduced a somewhat similar bill in the House of Representatives and I feel that this is extremely necessary to give some degree of security to our national defense effort and also to our copper, lead, and zinc producers many of whom are operating on marginal properties and all of whom are extremely interested in doing what they can to bring to the surface the necessary minerals needed so vitally to carry on this war.

It is my contention, also, that the 60-day cancelation period provided should be done away with because it creates too much of a strain on the people developing these properties who are, in the main, small operators, and takes away from the country possibilities of exploration and development which should normally occur. I therefore feel that this bill should be passed and that the 60-day cancelation provision should be done away with.

I want at this time to thank you and the committee for allowing me to make this statement in behalf of S. 502.

With best personal wishes, I am,

Sincerely,

MIKE MANSFIELD.

The CHAIRMAN. You may proceed, Mr. Bunker.

**STATEMENT OF HON. BERKELEY L. BUNKER, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF NEVADA**

Mr. BUNKER. Mr. Chairman, I am heartily in accord with the provisions of Senate bill 502. In the West, and particularly in my State of Nevada, we produce considerable copper, lead, and zinc. It is quite evident that the mine operators and workers should know at an early date what they can expect in the way of premium payments so that they can plan their future and keep an uninterrupted flow of badly needed war metals into our industrial plants.

Unless this legislation becomes law, many of the operators will begin production curtailments since they will be unable to continue as ceiling prices do not bring in sufficient revenue to permit continued operation.

For example, with the increased wages and other operating costs, the ceiling price of 12 cents on copper is too low to warrant continued operations in many properties.

Mr. Chairman, I would like permission to have Mr. Granger, my good friend from Utah, who is unavoidably detained this morning in an executive committee on an important matter, be permitted to file a statement in the committee.

The CHAIRMAN. Without objection it may be done.

Mr. BROWN. It is my understanding that Mr. Case would like to file a statement also.

The CHAIRMAN. Mr. Case will be given that permission, if he desires.

(The following letter and resolution were later received from Mr. Bunker:)

HOUSE OF REPRESENTATIVES,
Washington, D. C., May 1, 1945.

HON. BRENT SPENCE,
*Chairman, Banking and Currency Committee,
House of Representatives, Washington, D. C.*

DEAR COLLEAGUE: I have the honor to transmit to you a copy of a resolution unanimously approved by the Governors of the 11 Western States and the Territory of Alaska at a meeting held in Reno, Nev., April 20 and 21, 1945.

I thought the members of the Banking and Currency Committee would like to know the feeling of the western Governors in reference to passage of S. 502.

Kindest personal regards, I am

Sincerely yours,

BERKELEY L. BUNKER.

PREMIUM-PRICE PLAN

"Whereas mining is dependent upon development work and development work will only be done if there is a specific guaranty of reasonable prices for a definite time, the permitting of the rules of the premium price plan in this respect to be changeable or subject to cancelation at the will of the executive agencies would make it impossible for the mining industry and particularly the small mines to plan ahead on a definite basis: Therefore, be it

"Resolved, That the Western Governors' Conference assembled in Reno, Nev., April 20 and 21, 1945, hereby respectfully urge the House of Representatives of the Congress of the United States to promptly relieve the anxiety and distress of the base-metal miners of the United States by continuing the premium-price plan until June 30, 1946, on a noncancelable basis and we approve, therefore, the bill S. 502 as already passed by the Senate of the United States insofar as it relates to mineral and metal subsidies."

The foregoing resolution was unanimously adopted by the Western Governors' Conference and bears the following signatures: Sam C. Ford (Governor of Montana), Sidney P. Osborn (Governor of Arizona), Earl Warren (Governor of California), Herbert B. Maw (Governor of Utah), L. C. Hunt (Governor of Wyoming), Earl Snell (Governor of Oregon), Emil Gruning (Governor of Alaska), E. P. Carville (Governor of Nevada), Charles C. Gossett (Governor of Idaho), H. E. Huffman (personal representative of Gov. John C. Vivian of Colorado).

Now, Mr. Engle, do you desire to make a statement?

STATEMENT OF HON. CLAIR ENGLE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

MR. ENGLE. Yes; I desire to make a brief statement, Mr. Chairman, in which I concur in all respects with the remark made by my colleague, Mr. Bunker, from Nevada.

There are two matters I would like to mention, one in particular I want to get in the record, and that is with regard to the price of copper. The implication has been made that the 27-cent premium would mean a maximum price of 27 cents, and Senator McFarland sent you, Mr. Chairman, a letter under date of April 7, 1945. I would like particularly to place one paragraph of that letter in the record, which would indicate just what the average price of copper has been.

THE CHAIRMAN. That may be done.

MR. ENGLE. May I read it? This is what the Senator said:

The best figures that I can obtain indicate that the average price for copper under the premium price plan during 1943 was approximately 13.14 cents per pound, and for 1944, approximately 13.25 cents per pound. On the basis of Mr. Taft's calculations, that premiums above the 12 cents per pound ceiling constitute a tariff, it appears that the tariff equivalent for 1943 would be 1.14 cents per pound, and for 1944, 1.25 cents per pound, or much less than the legal excise tax of 4 cents per pound established by the Congress.

Senator McFarland was directing his remarks particularly to the statement made by Mr. Taft of the State Department, in which he contended that the premium price plan was in effect continuing a tariff of 15 cents on copper.

Now, there is one other matter I would like to mention before closing. I would like to emphatically concur in the statement made yesterday by my colleague, Mr. Brown, of Georgia, in regard to the noncancelation clause in this bill, and I am in hopes that the committee will see fit to pass the copper, lead, and zinc premium clauses in the bill, as are intact without amendment; thank you very much.

MR. OUTLAND. May I ask a question of the witness, Mr. Chairman?

THE CHAIRMAN. Mr. Outland.

MR. OUTLAND. Mr. Engle, there have been a great many cases called to my attention where cancelations have caused considerable hardships upon individuals.

THE CHAIRMAN. We will call Mr. Brownlee.

MR. HARLESS. Mr. Spence, I am Congressman Harless; I would like to have the privilege of making a statement.

THE CHAIRMAN. Oh, certainly, Mr. Harless.

STATEMENT OF HON. RICHARD F. HARLESS, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF ARIZONA

Mr. HARLESS. I merely want to, if the committee please, make a brief statement only for a few moments concerning particularly two features of the bill.

One is the matter that I heard the counsel for the Reconstruction Finance Corporation testify on yesterday afternoon, pertaining to meat.

I have, in my State, right at this time, two packing houses, or two slaughterers that have been closed down because of technicalities. I think the reports will show that both have acted in good faith, and yet they have had to close, and as a result, in one town—I think two towns, Globe and Miami, two large copper-mining towns—they have no meat available for the miners and they are now threatening strikes, and if some language could be worked out in this bill to permit the continuation of their operations, notwithstanding these particular technicalities, it would save a very embarrassing situation.

Just to give an example, I have in mind particularly the Dow Packing Co. This grocer had never been in the meat-packing business before. At the insistence of the War Food Administration, he went into the meat business, because they did not have enough meat in that community to take care of the demands. They could not ship in meat, and he enlarged his plant, and apparently, in order to make his facilities available, he borrowed some money from some relatives who were also in the grocery business, and that is a violation of the rules.

He now has gone 18 months, and I believe they are charging him with some \$40,000 or more, as penalties, and he has not enough facilities in his meat business to take care of it, so they now propose to take over his entire grocery business.

In other words, here is a man who is going along innocently and suddenly finds himself out of business when he tries to accommodate the community and the War Food Administration.

The report to the Office of Price Administration from Arizona shows that he did act in good faith and he knew nothing about this regulation that would prohibit him from borrowing, I think, a few thousand dollars from two of his cousins, and as a matter of fact, they were getting less than 7 percent of all his meat production.

The CHAIRMAN. Mr. Brownlee is here, and he is going to testify on this meat situation.

Mr. HARLESS. Well, I am merely putting this in as a first-hand example to show how it should be taken care of so that it would also be retroactive, otherwise it is working a hardship on certain packers and cutting down the amount of production—and I understand one of the things you want to do is to encourage production. We have a serious situation there in my State and I understand also that in some of the other States the same is true.

Another point I want to emphasize is the one I heard Congressman Engle testify about just now, which is the provision of a nonecancelable clause for at least a year in regard to metals.

I come from a metal-producing State, the State of Arizona, and I have spent 5 years of my life working in a mine. I know what a mine, either big or small, has to do in order to carry on a program. It is all

done on a long-range idea. It is impossible for a miner to plan his work for only 30 or 60 days ahead and make any progress. As a matter of fact, his development work, sometimes, has to be several months ahead, and if you have a 30-day cancellable clause on these men, they are not going to go into any outlay of expenses for development and for production.

Unless you give them a feeling of security, you will not get the production that is required of them.

I have correspondence, and I can also get examples, as I heard Congressman Outland ask Mr. Engle to supply, to show where it would work an absolute hardship on these men, and as a matter of fact, not only has it worked hardships, but I know that you will not get production from many of these small miners, and a lot of your copper, lead, and zinc is now produced by very small marginal mines.

They require 6 months or a year of planning, before they can borrow money or even expend their own money, and therefore the desirability of having security. I see no reason why we should be afraid of over-producing these metals, because at the time this war started, it was quite obvious we did not have enough metal, and with some idea of stock piling the metals which might be in surplus when the war is over, we could give ourselves some guaranty of security for future defense.

At the same time, for the purposes of this war, and the assurance that we will have enough of these essential metals, I think that the noncancellable clause is the only guaranty.

The CHAIRMAN. You may have the permission to revise and extend your remarks.

Mr. HARLESS. Thank you very much.

Mr. SMITH. Mr. Chairman, may I ask the witness a question?

The CHAIRMAN. Dr. Smith.

Mr. SMITH. How large are the packing companies you mentioned?

Mr. HARLESS. Well, the one in Miami, the one I am more familiar with, the Dow Packing Co., I understand produced about a hundred thousand tons last year. It is a small outfit. It supplies a community of about fifteen or eighteen thousand people.

Mr. SMITH. About 18,000 people?

Mr. HARLESS. Yes; it is a mining community.

Mr. SMITH. And one of these companies has been overpaid, did you say, \$40,000?

Mr. HARLESS. I believe that they have assessed a penalty of \$40,000 now. He has been overpaid so much because he violated this provision of the law stating he could not borrow money from any of his customers; and he had two cousins, who were in the grocery business, and he borrowed money to enlarge this packing plant, and to make it possible for him to carry on this business. He had never been in the slaughter business before, but when the large meat-packing companies could not ship meat into these mining towns and the miners threatened to go on strike a little over a year ago unless they had meat, the War Food Administration, Defense Plants Corporation, and some of the other agencies, went into the city and found this man and stated, "If you go into business, we will help you out and encourage you." He went into business, and he is a man who is not too familiar with the English language—he is a Syrian—and his products are absolutely essential to that community.

We produce there, in that particular community, a great deal of copper, and unless you have meat for those men, they will not work. They are threatening to go on strike right now. I have telegrams and letters from the labor unions, saying, "Unless you give us meat, we are not going to work."

Mr. SMITH. Where is the other plant?

Mr. HARLESS. It is a small plant in Safford and supplies the Clifton-Morenci area, and I am not familiar with the facts. I know they have been closed. Whether it is the same situation or not, I am not sure, but I know also they were acting in good faith. It was some technical reason.

The CHAIRMAN. You may revise and extend your remarks, Congressman.

Mr. HARLESS. Thank you very much.

STATEMENT OF HON. JOHN R. MURDOCK, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ARIZONA

Mr. MURDOCK. Chairman Spence and members of the Banking and Currency Committee, I appreciate this opportunity to join with my colleagues from the West in uttering a word in behalf of the legislation you have before you. I recall distinctly, Mr. Chairman, that several of us on the floor of the House, on March 27, when a section of S. 502 was being acted on by our body, requested an early hearing after the Easter recess on the remaining items of the Senate measure, especially those which so vitally pertained to the mining industry. I was more particularly interested in the extension of subsidy on copper, lead, and zinc. We appreciate your promise given us at that time, Mr. Chairman, and also the present fulfillment of that promise.

I, in conjunction with my colleagues, introduced a bill months ago (H. R. 2079) to continue the premium payments on copper, lead, and zinc until June 30, 1946. Of course, I understand that the Senate measure is much broader as to the items included and as to provisions incorporated, and I am in hearty accord with the provisions of the Senate bill, a part of which has already been enacted.

There is no use arguing the tremendous savings to the Government brought about by the subsidies on these critical minerals and metals, and it is not subject to argument that these subsidies have increased production enormously, if not adequately, during the war when they were so desperately needed. The war is by no means over, and no man can foretell when it will be ended on both sides of the earth. Therefore, we must continue full-scale production to the very end.

I must urge upon the committee with all the earnestness I can command that the premium payments on the war minerals be not only continued for the next year but that there be no 60-day cancellation provision written into the bill. Producers did not fear so much a cancellation provision while the war was climbing to a crescendo, for then it was obvious to a blind man that the war would not end in 2 or 3 months. But now that it must be near the end in Europe, it becomes very uncertain as to the end in the Pacific. Producers must not have a cancellation threat hanging over their heads if they are to plan with confidence. I am told that such a cancellation threat will hamper

production just about to the same extent as no extension of the premiums at all.

I have received many telegrams from Arizona, including one from the Governor of the State, which I should like to read at this point:

Wish to bring to your attention that 11 western Governors and Governor of Alaska, assembled in convention at Reno, resolved that the premium price plan be continued, and I hope legislation carrying this into effect will be enacted.

SIDNEY P. OSBORN,
Governor of Arizona.

All of these telegrams are to the same general effect: urging passage of the bill, a continuation of the premium payments, and that no cancellation clause be included.

Thank you, Mr. Chairman.

(The following letter was later received from Congressman Murdock:)

HOUSE OF REPRESENTATIVES,
Washington, D. C., May 1, 1945.

Chairman SPENCE.

DEAR CHAIRMAN SPENCE: In confirming the telegram which I submitted to you from the Governor of Arizona, a copy of which is attached, asking for the continuation of the premium price plan on copper, lead, and zinc for the coming year, let me add a further word. The convention of 12 governors at Reno approved a resolution calling for legislation along the lines of S. 502. These governors were as follows: Governor Dempsey, of New Mexico; Governor Wallgren, of Washington; Governor Gruening, of Alaska; Governor Gossett, of Idaho; Governor Osborn, of Arizona; a representative of the Governor of Colorado; Governor Ford, of Montana; Governor Warren, of California; Governor Hunt, of Wyoming; Governor Carville, of Nevada; Governor Maw, of Utah; and Governor Snell, of Oregon.

Trusting that your committee will give the most earnest consideration of this resolution which means so much to the mining West, I remain,

Sincerely yours,

JOHN R. MURDOCK, M. C.

The CHAIRMAN. Mr. Brownlee, you may proceed.

Mr. BROWNLEE. Mr. Chairman, I have no formal statement, but I have prepared an outline of this meat situation. Of course, as you all realize, this is a very complicated situation, and it would probably take me about 15 minutes to go through the outline, and if it is agreeable to the committee, I think it might be clearer that way, and then we might discuss it. Whatever way you prefer it, of course.

The CHAIRMAN. You may proceed, Mr. Brownlee.

STATEMENTS OF JAMES F. BROWNLEE, J. J. MADIGAN, JOHN C. ERICKSON, AND RICHARD H. FIELD, ON BEHALF OF THE OFFICE OF PRICE ADMINISTRATION AND DEFENSE SUPPLIES CORPORATION

Mr. BROWNLEE. During the last few weeks we have issued three or four statements or press releases concerning the meat situation and O. P. A.'s program to secure a better distribution of a supply not adequate to fully satisfy an unprecedented wartime demand. I would like to summarize very briefly the background of the present situation and outline for you the adjustments which O. P. A. has made or has recently announced.

The production of meat during the period of price control has been at record levels. For example, the peak production of 24.7 billion

pounds in 1944 was 53 percent higher than the average for the pre-war period 1935-39. Even though the meat supply for 1945 is not adequate to meet current demand, production this year is expected to total 22.4 billion pounds, or 38 percent more than the average for 1935-39.

I am giving you these facts in order that you will fully realize that price control has not had a deterrent effect on production. Actually, it can be demonstrated that the control of feed prices during periods of 1944, when hog prices were below maximum permitted levels, tended to provide a more favorable situation for the production of hogs than would have existed in the absence of price control.

Hog slaughter this year is materially smaller than last year. This situation is not a product of price control but, rather, a result of a severe feed shortage last year and of low prices—substantially below ceilings—received by farmers in the winter of 1943-44 and the spring of 1944.

And, incidentally, our ceiling prices on hogs have not been changed since the 14.75 ceiling was announced about 2 years ago.

The present meat difficulties arise out of an extremely high demand caused by vast war meat requirements, tremendous civilian purchasing power, a reduced supply of pork, and a distortion of meat distribution. The demands of the armed services for meat must be met first. Certain commitments to our allies must also be met. This means that the reduced supply this year as compared with last year bears almost entirely on the civilian allotment. When the supply becomes very short relative to consumer demand and purchasing power, distribution becomes distorted. Areas located close to the sources of supply are likely to obtain more than their equitable share, whereas major consuming centers at a distance from producing areas may receive far less than their just proportion. The O. P. A. has recently announced a program to assist in better distribution. I will briefly touch on that phase of the program a little later.

The decreased supply also tends to increase livestock prices and reduce the margins of slaughterers. Profits of the packing industry were at unprecedented levels during 1942, 1943, and 1944, but thus far in 1945 livestock prices have tended to stay close to the maximum permissible levels, and certain changes in the meat program had to be made to provide relief for the slaughtering industry. Although it may appear to be a relatively simple job to determine the extent of the alleged squeeze on the slaughterers and then provide the proper correctives in the form of subsidy or price change, it is actually a very difficult task. In the first place, very little detailed information of packing-house results, particularly by species, is available. The industry has been reluctant to submit data voluntarily, and it has been necessary to send Government accountants into the field to obtain information.

Furthermore, price or subsidy increases to slaughterers have frequently been reflected in higher livestock prices, putting undue strains on the livestock pricing structure without providing the full adjustments in margins intended by the actions.

Thus it is not enough merely to find out the extent of relief the industry needs at current livestock prices; it is essential, when the relief is provided, to see that it is not nullified by further bidding up of livestock prices.

In addition, we have attempted to exercise caution in the amount of additional Government money put into the industry. We do not feel that subsidy money should be used to provide excessive profits to any group of suppliers.

O. P. A. has put into effect, however, several changes during the last 3 or 4 months which have materially affected slaughterers' results. I know you will be interested in these adjustments from both the standpoint of relief afforded the slaughtering industry and from the standpoint of additional costs in the form of subsidy or increased cost of Government purchases.

In January 1945 over-all ceilings on the price of cattle were established. At the same time, additional subsidies of \$1 per hundredweight on choice cattle and 50 cents on good cattle were provided, in order to widen the spread between low-grade and high-grade animals and thus encourage the feeding of cattle. Minimum and maximum prices on these grades were increased in corresponding amounts.

Since December 1944 the following actions have been taken in respect to pork: The carload discount of \$1 per hundredweight has been reduced to 25 cents. Increased allowances for packaging on sales to war procurement agencies have been granted. Prices on three or four major pork products sold to the Government have been increased, and an allowance of 25 cents per hundredweight for freezer shrink on fresh products has been provided. The total of these adjustments amounted to approximately 30 cents per live hundredweight on the total kill.

Early in April the industry was informed that as soon as the accounting study relating to pork was completed, adjustments would be made in line with the results of the study and that such adjustments would be made retroactive to April 1, 1945. It was further agreed that if the determination on the basis of the study was not made by May 10, an interim adjustment of 40 cents additional subsidy on hogs would be provided until such time as a final decision was reached on the amount needed, the interim amount to be later adjusted upward or downward on receipt of the final figures.

In a press release issued April 23, 1945, the Office of Economic Stabilization, in cooperation with O. P. A., W. F. A., and the Army, announced a program designed to fully cope with the current meat price and distribution problem. Briefly, this program provides for the following:

1. To encourage increased cattle feeding, the previously announced reduction of 50 cents in the overriding ceiling, price ranges, and subsidy on choice cattle which was scheduled to take effect July 2, 1945, has been canceled. In addition, the spread between the subsidies on the three top grades and the lower grades has been increased by 25 cents.

2. In order to keep the slaughter of cattle on a profitable basis and to minimize seasonal losses, the following changes have been announced: A price increase of 35 cents per hundredweight, boneless beef equivalents, has been provided on sales of all beef of choice, good, or commercial grades sold to war agencies to aid Government procurement. The program also provides for an increase of 25 cents per hundred pounds in subsidy on choice, good, and commercial grade, to be paid to each individual slaughterer when his total cost of cattle

is at the maximum permissible level as established by the cattle price-stabilization program. This is in addition to an April 1, 1945, action which increased the subsidy for all grades by 50 cents, when cattle were selling at maximum levels. Thus the April 1 and May 1 changes combined provide for 75 cents more subsidy on the three top grades and 50 cents more subsidy on the lower grades when cattle are at maximum levels. As the average cost of cattle decreases from the maximum permissible level, the new program provides for the withdrawal of subsidy at the rate of 2 cents for each 2-cent decline in the average cost per hundredweight.

In effect, this phase of the program provides for additional subsidy when cattle costs are high and when slaughterers are most in need of additional payments. It provides for withdrawal of subsidy when cattle prices are low but still allows an attractive margin when cattle prices are at the minimum levels.

3. It was again stated that adjustments to be provided on pork slaughter, in line with the results of the current accounting study, would be made retroactive to April 1, 1945.

4. A fourth phase of the new program provides for a special individual slaughterer adjustment designed to make certain that no slaughterer who operated profitably in peacetime will be compelled to discontinue operations during the present critical period. Briefly, the plan provides that any slaughterer who operated profitably during a substantial part of the period 1938-41, and who operates in compliance with applicable price and rationing regulations will be eligible for such additional subsidy as is necessary to make his total revenue from consolidated operations equal to his total costs of operation.

5. Other features of the program provide for control of farm and local slaughter in order to obtain better distribution of the available meat supply. Federally inspected plants are the only plants that can sell to the Government or ship across State lines. People living in the big cities are to a large extent dependent on interstate shipments, and heavy Government demands have cut deeply into the supply available to them. An increase in the federally inspected slaughter by better control of farm and noninspected slaughter is necessary to relieve this situation.

Effective May 1, a plan for limiting farm and local slaughter will be put into operation. This ability to control the slaughter of the nonfederally inspected slaughter is fundamental in meat control. This we have insisted steadily and repeatedly for the last 2½ years. The most serious of our present difficulties grow out of the absence of this control. Now for the first time we will have in operation a means for channeling the manpower supply to the federally inspected plants.

There is another vitally important feature of this plan for control of local slaughter. Quotas of local commercial slaughterers will be a certain percentage of the business done last year. In determining the business done, however, it will be only the legal business that counts. Lawful slaughter will be the amount of slaughter for which ration points, if required, were turned in. Black-market business on which no ration points were surrendered will thus be excluded automatically in computing the quotas. This is the heaviest single blow at the black market which has yet been struck.

6. As a part of the new program, the Army will intensify its efforts to persuade additional slaughtering plants to accept Federal inspection. O. E. S. Director Davis has requested the Army to seek an increase of approximately 10 percent in procurement of Army supplies from plants not now supplying meat to the Government. To the extent that the request is met, the supplies of the present federally inspected plants will be increased for civilian sale.

7. Sellers will be expected to distribute their meats to the same geographical areas and classes of trade as in the past. O. P. A. will be prepared to control distribution by order if the voluntary system fails to work and to direct the flow of federally inspected meat or issue additional quotas wherever a serious shortage situation develops.

8. The O. P. A. will set up a program for division of slaughter among federally inspected plants designed to relieve the strain on livestock ceilings and to provide for better distribution of the livestock available for inspected slaughter. This phase of the program will not be put into effect unless specifically authorized by O. E.'s Director Davis at a subsequent date and then only if it is necessary to protect the established livestock ceilings.

9. O. P. A. is immediately assigning 500 additional investigators for the enforcement of the meat regulations. The new positions will be filled largely by transfer of experienced investigators from other enforcement branches where less critical pressures allow recruitment of new men over a longer period of time. This additional enforcement is badly needed and now that the additional funds have been made available, we believe it will have a real impact on the distribution problem. Incidentally, it has been extremely difficult to get these funds.

Addition of these investigators will treble the investigative staff watching for violations of present meat price and rationing regulations and of the new meat-control order.

The subsidy program and control of slaughter will be tied in as closely as possible with the enforcement of regulation, bringing into effect a well-rounded program for better compliance on the part of the industry.

10. Provision is being made for the periodic reexamination, several times a year, of the general level of meat prices and subsidies. To expedite this reexamination the Office of Price Administration is setting up a representative sample of packing companies from which regular reports will be received so that information as to the financial condition of the industry, and each of its various segments, can be maintained as nearly as possible on a current basis. If, in the light of this reexamination, modifications of the program are called for, they will be promptly made.

We believe this program is liberal and amply provides for the packer's need.

It is estimated that the changes made since December 1944 in the prices of pork sold to the Government will amount to a total of about \$40,000,000 annually. The recent change in prices for beef sold to the war procurement agencies will amount to about \$7,000,000 annually.

If this program is not liberal as far as the slaughterer is concerned, we will have the figures to examine every 3 or 4 months and can adjust upward or downward in accordance with the showing that is made at that time.

As to the cost of the program, the increased amount of subsidy money needed for the next year as compared with 1944 depends largely on the level of cattle prices and the amount of additional relief to be given to pork slaughterers. The Defense Supplies Corporation has estimated that the cost of the meat-subsidy program in 1944 was approximately \$480,000,000. We estimate that the new program initiated since January 10 of this year will increase the amount of subsidy by about \$115,000,000. This estimate is based on the assumption that cattle prices for the next year will average about 90 cents per live hundredweight over the minimum permissible price or 60 cents below the maximum of the cattle range. The additional subsidy required is arrived at by the following break-down:

1. Changes in the subsidy rates on good and choice slaughter effective January 29, 1945—50 cents additional subsidy on good grade cattle, and \$1 additional subsidy on choice grade until July 2, 1945, and 50 cents thereafter; annual cost, \$37,000,000.

2. April 1 and May 1 changes in subsidy on cattle—75 additional subsidy on three top grades and 50 additional subsidy on the lower grades, subject to withdrawal of subsidy at rate of 2 cents for each 3-cent decline in average cost of cattle from maximum permissible costs; annual cost, \$40,000,000.

3. Present commitment on additional subsidy for pork slaughterers at 40 cents per hundredweight; annual cost, \$60,000,000.

Less deduction for changes in volume of slaughter, \$44,000,000; net, \$16,000,000.

4. Special hardship subsidy; annual cost, \$5,000,000.

5. Increased subsidy necessary because of increased cattle slaughter, \$5,000,000.

6. Extension of basic subsidy on choice grade after July 2, 1945—that is, the cancelation of the decreased stabilization range; annual cost, \$12,000,000.

Total increased annual cost over 1944, \$115,000,000.

I would like to say to the committee, however, that obviously the cost of this subsidy program depends upon the amount of the slaughter, and the range and the price of the cattle. If we have lesser amount of slaughter, of course, it will cost less, and if the cattle sell nearer the minimum end of the range rather than the maximum end it will, of course, also cost less. We have estimated that cattle would sell at 90 cents above the minimum, or 60 cents below the maximum price, and this estimate of \$115,000,000, or an increase from \$480,000,000, to \$595,000,000 in the cost of the meat program, are based on those figures.

Now, that briefly is a summary of the actions that have been taken recently, and I, of course, will be glad to have Mr. Madigan and Mr. Erickson answer any questions the committee has.

The CHAIRMAN. The subsidies are paid to the slaughterer?

Mr. BROWNLEE. The subsidies are all paid to the slaughterer, and of course—

The CHAIRMAN. What percentage of that subsidy do you think gets back to the primary producer, the cattle raisers?

Mr. BROWNLEE. Well, I would guess, sir, the fact that the only people who felt they were not in a squeeze were the producers, indicates that most of it gets back to him.

I think fundamentally the trouble in our beef program has been the fact that whenever we put more money into the program, the

general effect is to raise the price of cattle and so, if you have a squeeze when you start, you end up with a squeeze again, because you increase the subsidy but you lift the price of the raw material up in about the same proportion, and we think it has actually gotten back to the producer.

The CHAIRMAN. Well, can you put your finger on the thing that has caused the condition that exists now, in reference to meat supply, and the fact that people are unable to obtain it? Is it the fact that the slaughterers, many of the small packing houses, have gone out of business?

Mr. BROWNLEE. We think not, sir. We think that fundamentally, the difficulty is caused by two things.

In the first place, a shortage of the total supply of meat, in relation to the present greatly expanded income and the heavy army demand. There is just less meat than the people want to buy with their amount of money and due to the amount that is being taken out by the Army, and we think also there is fundamentally a maldistribution of beef supplies.

Now, as I said in my outline, the total amount of meat is considerably more than it was in the base period before the war. It is 35 percent more during 1945 than it was during the period 1935 to 1939. It is considerably less in 1945 than it was in 1944, due to less pork, but we still have more meat than the country consumed normally.

The CHAIRMAN. What proportion does the War Department purchase?

Mr. BROWNLEE. I think that the testimony was about 22 percent last year, and to the best of our belief that is right. The percentage of their take at present, of course, is slightly heavier. What they will take throughout the year, I do not know. Maybe about one-third of the total.

The CHAIRMAN. What causes the maldistribution? I notice a number of the retail dealers are out of business. I do not know whether they have closed them permanently, but they are temporarily closed. What has caused the maldistribution?

Mr. BROWNLEE. Well, we think, sir, that the slaughter has been kept fairly close to home. You can sell all the meat you wish if you have the meat available and consequently the temptation is to keep it close to home. You have had a great amount slaughtered in these small slaughtering plants and that supply stays close to home rather than going into the deficit areas, which are primarily the two coastal areas. We think it is essential if we cannot get voluntary distribution to these coastal areas, that we must take steps to direct them to ship the meat in the customary peacetime proportions to the various markets.

The CHAIRMAN. How are you going to regulate the distribution? What powers have you to regulate the distribution?

Mr. BROWNLEE. We have that under the Second War Powers Act, in the rationing act, which was transferred from the War Food Administration, as I understand it, to the Price Administration.

The CHAIRMAN. You ration the amount that can be produced, but can you direct a producer to sell his products into a certain area?

Mr. BROWNLEE. We can direct the distribution of that product under the Second War Powers Act; yes, sir.

The CHAIRMAN. But you could not direct a specific producer to sell his product in any particular manner? For instance, if there was a shortage in a city, you could not direct him to sell his product there, could you?

Mr. BROWNLEE. We cannot direct him to sell his product but we can tell him under the Second War Powers Act where he shall sell the product if he sells; yes, sir.

The CHAIRMAN. Well now, you think your program would relieve this acute situation if put into effect?

Mr. BROWNLEE. I think that "relieve" is the right word, Mr. Chairman. As long as you have less total meat available than the public wants to buy, I do not think that this program or any other program can cure the situation. We think it will very definitely relieve the situation.

The CHAIRMAN. Well, how long do you think it will be before the people feel the practical effect of the program?

How long before you can make it absolutely effective so it will give the relief required?

Mr. BROWNLEE. We doubt if you will feel any effect of it for the first 30 days and no substantial effect for the first 60 days, sir.

The CHAIRMAN. And you think after 60 days there will be substantial relief, if the program is put into effect?

Mr. BROWNLEE. We believe we will have a pretty good hold on the program by that time, and we think that increasingly we will feel the effect after that.

Again, I want to say to the committee, however, that there will not be enough meat for what the public wants to buy, and I do not think we would want to leave you under any misapprehension that we think this will cure your meat situation. But we think it will definitely relieve it.

The CHAIRMAN. There is a very general black market, is there not?

Mr. BROWNLEE. It has been estimated in various ways. There certainly is a black market; yes, sir. I do not know what percentage of the meat—I do not think anybody knows—is going into the black market.

The CHAIRMAN. Is there any way to prevent it?

Mr. BROWNLEE. We think this quota to the non-federally inspected slaughter is the most direct method of attacking that, sir. We think that basing their quota on what they have presented rationed currency for last year, obviously what they did not have coupons for went into black market. So, if we base their quota and allow them to slaughter only as to what was sold in the legitimate market, we think that should be a very severe blow at the black market.

The CHAIRMAN. There is no doubt that very great profits are made in the black market. I suppose meat is more essential than whisky, and we never could control the whisky black market. However, we would like to know how we are going to control the meat black market. Have you instituted any prosecutions with regard to that?

Mr. BROWNLEE. Mr. Field can answer that.

Mr. FIELD. We brought, in the year 1944, nearly 7,000 actions of various kinds, civil and criminal. Six thousand nine hundred and sixty-six was the exact number for the year. That included 2,200 at the slaughtering and wholesale levels, 2,464 at the retail level, and an additional 2,302 administrative suspension proceedings for violation of rationing regulations at both the retail and slaughter levels.

The CHAIRMAN. What proportion of them resisted the imposition of the fines imposed by the O. P. A.?

Mr. FIELD. Well, that is difficult to say. I should say that a very substantial proportion of those cases had not been tried upon the merits, but had resulted in either pleas of guilty in criminal cases, or agreed settlements on civil ones.

One of the practical difficulties has been the fact that on either convictions or pleas of guilty there have not been, to anything like the extent one would think desirable, jail sentences. The proportion of cases where the result of a criminal conviction has been a fine, and very often a fine less than the proven amount of black market profits, has been surprisingly large.

The CHAIRMAN. That has always been the case. The bootlegger that made a hundred thousand dollars was very willing to pay a fine of a thousand dollars. I guess you will find that in all black markets.

Mr. Wolcott.

Mr. WOLCOTT. Mr. Brownlee, where do you find most of the source of black market. Is it from small farm slaughterers?

Mr. BROWNLIE. Well, I would say, in what we call the class 2 slaughterers, which are the noninspected, nonfarm slaughterers. Undoubtedly there is—

Mr. WOLCOTT. Nonfarm slaughterers?

Mr. BROWNLIE. Mr. Madigan could answer that, I think.

Mr. MADIGAN. It is very difficult to generalize on that question, because all we have is hearsay information. Dealing with the farm question, we get reports from our field organization that in certain areas there is a great deal of farm-slaughtered meat moving into retail channels, and, apparently, through black market. Frankly, we do not think that is a substantial percentage of the supply, although it is a substantial figure in itself.

We are inclined to think that most of the black market comes from commercial slaughterers, and while we cannot segregate out any class that is completely pure, we are inclined to think that a larger percentage of the nonfederally inspected local slaughtered meat, which is not Government-graded, in most cases tends to get more into the black market than that of plants which are very closely controlled on the grading and meat inspection by the Government service.

Mr. SUNDBLUM. Would you yield at that point, Mr. Wolcott?

Mr. WOLCOTT. I yield.

Mr. SUNDBLUM. Mr. Madigan, do you not think the reason why it has been in nonfederally inspected plants is because they are non-processors and it is almost a proven thing in the Senate hearings and also by your big packers who have admitted that they have lost money on slaughtering and that they have made up their profits on other lines, is it not natural to suppose therefore that the fellow that does nothing but slaughter is the fellow that in order to stay in business had to be in the black market?

Mr. MADIGAN. Mr. Sundblum, I cannot agree that there is relatively less processing in fewer federally inspected plants. A great many of them are sausage makers and retailers, and I do not believe there would be any correlation between the amount of processing whether they are federally inspected or nonfederally inspected.

Mr. SUNDBLUM. Well, but is it not true that the biggest packers have admitted that they lost money on everything that they slaughtered, in the slaughtering end of the business?

Mr. BROWNLEE. The testimony of the nonprocessing slaughterers, of course, before the Senate Agricultural Committee, was that under the 80 cents differential subsidy that they had done well during the past year.

They were worrying about any change in that subsidy, but I think the testimony, with all the figures given, was that they had done well under that subsidy.

Mr. SUNDSTROM. Yes, but the trouble with that subsidy as you know, and I know, is that they made the qualifications so difficult that the fellows could not always collect the subsidy.

Mr. BROWNLEE. That is true.

Mr. WOLCOTT. Well, can we say that the shortage of meat in the legitimate markets is due to black-market operations?

Mr. BROWNLEE. Mr. Wolcott, again you come back to two things. In the first place, there is not enough meat for what the public wants to buy and in the second place, there is very bad maldistribution of meat.

Mr. WOLCOTT. There is not enough meat, but why?

Mr. BROWNLEE. Well, production is up 35 percent above what it used to be. The Government is, of course, taking a third of it and the purchasing power is up very much more, of course, than even the 35 percent.

Mr. WOLCOTT. It is now against what percentage, would you say, last year?

Mr. BROWNLEE. They estimated 21 percent, which I believe, according to our records, is about right. The Army took 21 percent last year, and the meat supply will be down 2,000,000,000 pounds approximately this year over last, due to hog shortage.

Mr. WOLCOTT. How much of the whole kill is the Government taking for all purposes?

Mr. BROWNLEE. We believe last year the figure of 21 percent was right, and our estimate is—and I do not think we can say this authoritatively—our estimate is that is about a third; they are taking about a third at the present time, all Government agencies, that is.

Mr. WOLCOTT. We had the figure here somewhere, that the Government was purchasing for 10 percent of the people about 60 percent of the meat, and that, therefore, 40 percent was left with the other 90 percent.

Mr. BROWNLEE. That is 60 percent of the federally inspected meat. Of course, Federal inspections on about 65 percent of the meat are made, so they are taking about 60 percent at the present time of 65 percent of the meat.

Mr. WOLCOTT. Of the federally inspected?

Mr. BROWNLEE. Yes.

Mr. WOLCOTT. They are taking about 60 percent of 65 percent?

Mr. BROWNLEE. Yes.

Mr. MADIGAN. I think that figure is a little high. They are not getting 60 percent of the federally inspected meat. I think by the time the exemption that is due to lack of facilities and other things get into the figure that it would be less than 50 percent.

Mr. WOLCOTT. Well, what I am getting at is if the black market cannot be traced primarily to farm slaughterers, then why do you find

it necessary to limit the slaughtering of meat by farmers? In your release of April 23, you say:

Farm slaughterers will not be permitted to sell more dressed meat in any quarter of this year than in the corresponding quarter of 1934. Farmers who have killed no meat for sale in 1944, may, if they register, mark it up to 4,400 pounds.

Why are you putting a limit on that if it is a legitimate transaction?

Mr. MADIGAN. Well, of course, our difficulty is that if we do not get more of the cattle, or a fair share of the cattle, into federally inspected plants, the Government is constantly forced to lift its set-aside against those plants.

Now, the meat that comes to your deficit areas is the meat that crosses the State lines and is federally inspected; consequently, if you do not take steps to see that they get their fair share of the animals, you will have a higher set-aside against those and less meat available for your deficit areas.

Mr. WOLCOTT. Well, rationing is predicated upon the fact that there are shortages; is that right?

Mr. MADIGAN. Naturally.

Mr. WOLCOTT. I have never yet gotten a satisfactory explanation as to why you can tell people to give up American rationing points for Canadian butter, meat, and cheese.

Mr. MADIGAN. Of course, I am not a rationing expert. As I understand it, rationing is an attempt to distribute fairly or to share fairly the available supply.

Mr. WOLCOTT. Is it not a sort of dog-in-the-manger proposition? My own town is just across the St. Claire River from Sarnia, Ontario, and many people in Port Huron have made it a practice, even before the war, of going into Canada and buying cheese—they like Canadian cheese, I suppose, as well as the American cheese, and it is good cheese—and butter, which is good butter. They could go over there and buy all the butter they want without giving up ration points and all the cheese they want without giving up ration points. I went across last year and brought back 3 or 4 pounds of Canadian cheese and I was asked by the customs officials whether I had anything to declare; I said, "I do not believe so, but I have some Canadian cheese. Do I have to do anything about that?" He said, "Yes, you will have to give up some points." He was very kind about it. He let me take the cheese down to the house and my wife went back the next day and gave him the points. The regulation required that we do that, and I looked the matter up privately with a very high rationing official who is supposed to have a great deal to do with food production and distribution, and he said, his answer was, "Now, isn't that silly?"

I understand that the only justification that the O. P. A. or the War Food Administration have given to it is that if the people in Port Huron are allowed to go across to Sarnia and buy cheese, that that establishes an inequality, with the people of Port Huron getting more cheese than the people of Sacramento, Calif., and it always seemed to me a sort of a dog-in-the-manger proposition.

Why punish the people of Port Huron merely because some people in other parts of the country cannot get Canadian cheeses? It seems to me every pound of cheese that we bring in from Canada today

unrationed would make that much more cheese available to our own population.

Mr. MONRONEY. Would that not lead to bankrupting your grocery stores in Port Huron, if all the population went across the line and bought all the food they wanted?

Mr. BROWNLEE. Also, do you not think Canada would be pretty prompt to retaliate and do the same sort of thing, so you would have just a shift across the border? I would be glad to get you a statement on this, Mr. Wolcott. I am frankly not an expert in rationing.

Mr. WOLCOTT. Well, they have not done that. They retaliated in this way: They would not let Canadians carry enough money with them out of the country into the United States to buy very much in Port Huron, so it is a one-way traffic on everything we buy in Canada now.

As far as bankrupting the stores is concerned, nobody kicks about it. As a matter of fact, I know some of the merchants of Port Huron would go over to buy cheese and stuff in order to sell it. Of course, they would buy it because they have not got it in their own stores; they have a market to sell, anyway, but is that the only justification for that?

Mr. BROWNLEE. Well, I say, sir, I would be glad to get a statement, or have the head of rationing appear before the committee. Frankly, I am not familiar with it.

Mr. WOLCOTT. One of the reasons why the people Port Huron go over to Sarnia and buy meat is apparently because of this situation—if the committee will indulge me I would like to read a portion of a letter from a lawyer back home, written to me on March 19. He says [reading]:

A matter has come up which apparently needs immediate attention; if I had known about it sooner I would have taken it up with you when I was in Washington last. Burgmeister is one of our clients and, as set forth in the enclosed letter, he is responsible for the production and distribution of about one third of the meat in Port Huron. He buys cattle, hogs, and calves, and has them slaughtered and distributes the wholesale meat to the various retailers. I have known Charlie for many years and I have always found him to be very honest and found that he has kept very few records in the past, being more concerned with his buying and selling than he was about bookkeeping, which perhaps is the condition of many of the markets today. Due to his limited education he was unable to understand the subsidy plan as far as the cattle went in 1944, and failed to file claims therefor. It meant that he operated at a loss of about \$2,700 in his business for last year, whereas the subsidy payments would have amounted to approximately \$12,000 or \$14,000. He has petitioned for leave to file a late claim back in January of 1944, but this was refused and he was allowed to file claim from December 1944 to date. That is one matter.

Here is another. Now, under the new Defense Supplies Corporation ruling and the War Food Administration ruling he can only kill and receive subsidy for the same amount of cattle in each month of 1945 that he received subsidy for the corresponding month of 1944. Due to the higher prices of stock, he is unable to buy any cattle this year without suffering a loss on each animal purchased to kill unless he receives the subsidy. This means he has to stop killing his cattle until he finds out whether or not he can obtain the relief he asks for.

Now, shortening it up, it means that because this man did not receive any subsidies last year he cannot do business this year.

Mr. MADIGAN. There is a provision under W. F. O. 126 which is the order that is in reference to, and I am speaking parenthetically, because I am not administering that order, but I know it contains a relief provision and he should apply to the Washington office of the War Food Administration to have account taken of the fact that he did

slaughter last year but did not file for subsidy and they will establish for him a base so that he can get his subsidy this year.

Mr. WOLCOTT. They are apparently working it out.

I hope that surely the fact that a man does not take a subsidy, or does not want to take a subsidy because of some scruples against it, surely to have a regulation to compel him to come and beg the Government for it, or to beg to stay in business, is enough regulation as it is.

In Congressman Fred Bradley's district, in which for generations it had been the practice for the butchers to buy directly from the farmers, there is no Federal inspection. There is no evidence that the butcher sold any lower grade beef for the price that they could get for higher grade beef in violation of the price control regulations; as I understand the regulations, unless the farmer himself stamps the grade on the meat, the butcher can sell it only at the grade C price. Is that right?

Mr. MADIGAN. The regulation requires that everybody grade their meat. And the intention is that everybody should grade the meat and the purpose of this new amendment to which you refer, is that if anybody fails to grade the meat, from an enforcement angle, they can move in and establish the penalty on the basis of the lowest graded meat.

Mr. WOLCOTT. Yes, and that is what they did in this case, and they put three markets out of business, out of six meat markets they put three of them out of business until adjustments were made after weeks of negotiations and after Congressman Bradley had spent some hundreds of dollars out of his own pocket to get the people together; finally, they agree upon an injunction proceeding, and let it go at that, and just settled the matter. The matter had been pending for at least 2 months.

It seems to me that much of the shortage of meat can be directly traced to these very unfortunate incidents which discourage the production, in the first instance, and discourage the slaughter, in another, and the distribution in another.

We started out, as I understand it, on beef, back in 1942, when the packing plants on January 1, were full of beef, they had to cut the price back to the March level. Well, you caught every packer with his packing plants full of beef that he had bought at the high price, and you cut his price back to the March level.

Perhaps you will not admit that that was the case, but it has been pretty well recognized and generally accepted that it was the case, and the reason why we had no black market in pork and lamb, mutton, was because when the price was set on the other meats, the price was set, I believe, only a matter of 2 days before the effective date.

There was only a 2-day spread in there while on other meats, as a matter of fact, there was a 2 or 3 months' spread, as on beef. So you created all the machinery for the operation of a black market when you started out to ration beef, and it is a question now of overcoming it.

I still do not see why you have to restrict slaughtering by farmers if they comply with the regulations. Why, if a farmer did not slaughter anything last year, you say to him, "You cannot slaughter more than 400 pounds this year." He may have been building up a herd; he may have been fattening them during this period; he may have just gone into business. It may have been a case where, because

of terminating farm deferments, as is the case in many of the districts of the Midwest, farm boys going into the service, may have broken up their herds; they have broken up these herds of beef cattle as well as dairy herds and they have had to consolidate, and they have moved them on other farms where there was help.

Now, if farmer A, who did not slaughter any beef last year, finds himself, because of the exigencies of the case, with a couple of hundred head of beef cattle on his farm, because he is the only one in the neighborhood who has help, and all these farm boys, when they went to the service, sold or transferred their herds to him, how are you going to dispose of that meat? How are you going to get it to the market? This farmer A that I referred to may be only acting as really the agent for a dozen farmers who have had to break up their herds because the boys were going into the service.

I do not see the logic of your restrictions in that respect.

Mr. BROWNLEE. Is not that a question of where you want your meat? In other words, farm slaughtered meat stays close to home. If you want more meat in small towns and consequently not as big a slaughter by companies who can ship it across the State lines, which are the only people who can relieve the deficit situation, if you let them slaughter locally——

Mr. WOLCOTT. Take Port Huron, my home town; it is only 60 miles from Detroit.

Now, if the meat people in Port Huron do not buy from the farmers, then they have got to buy from the Detroit packing houses, and there is that much less meat in Detroit and perhaps in the Toledo area.

Mr. BROWNLEE. But we plan to let them slaughter as much as they did last year so they would have the same source of supply in Port Huron this year as last year.

Mr. WOLCOTT. But you say if they did not slaughter you restrict them to 400 pounds.

Mr. BROWNLEE. But if you increase that, that farm slaughter at Huron, you are going to have more local meat available to the grocers in Port Huron than you had last year. Now, maybe if they did not have enough——

Mr. WOLCOTT. You would have more for your local market from your farmers; then there would be more available in the Detroit market for Detroit; we would not take any from the Detroit packing houses. Like this fellow Burgmeister; he is very honest, we all know him for 45 years. He does not care where he gets his beef; if he can get his 30 percent of the consumption which he has been supplying for Port Huron from the farmers, then he does not have to get it from the Detroit packing houses, and there is that much less drag on the Chicago packing houses and that much more meat in the Detroit area for distribution, and the Toledo area, all around Detroit.

Mr. BROWNLEE. Is not that always assuming that there is enough meat in Port Huron so they would not keep out also this extra amount of local slaughter and then still pull on the Detroit market for the same amount they had before?

Mr. WOLCOTT. We have I do not know how many refrigerated trucks that are running from Detroit to Port Huron every day. They can ship them down to Detroit. You regulate the amount of meat that they can eat by rationing, by the points that you give them, so that if Port Huron can not absorb more meat than you give them

ration points for, all over that would go into the Detroit market, whether it is slaughtered by the farmers or graded by the farmers, or graded in the packing houses in Detroit.

Mr. BROWNLEE. Of course, due to the fact that there is no restriction on farm slaughter for farm use, as long as they do not sell it, they do not use as many points, of course, as your city people and they have got a greater supply of points which means that they can buy more of other things than the city dwellers. I think it is purely a question of where you want to put this meat. You can either have more in your local areas and less in your population centers, or vice versa, depending on which way you go in this farm slaughter.

Mr. WOLCOTT. Well, with the exception perhaps of New York, there are very few large metropolitan areas that are not served largely from the farming country surrounding them.

I dare say that Chicago gets a lot of its hog kill from Illinois, and I presume that these metropolitan areas more or less absorb local meats and so forth, before they start buying far away from home because of the transportation facilities.

Mr. BROWNLEE. We would be glad to give you some figures, sir, but I suspect that you will find that the vast majority of Washington meat, for instance, is shipped in meat and federally inspected.

Mr. WOLCOTT. Probably is.

Mr. BROWNLEE. I think that is so of all your big population centers.

Mr. WOLCOTT. But there should not be any restrictions against supplementing those shipments, with the transportation shortages as they are now, from the slaughtering houses here in neighborhood or from the farmers coming in and marketing their products.

Mr. BROWNLEE. Of course, there is no intention of cutting down over what they had last year, when the farm slaughter was very considerable.

We have no intention of asking them to slaughter any less. But we think, in the interest of eliminating maldistribution——

Mr. WOLCOTT. Why should there be any limitation with this meat shortage as it is; why should there be any limitation upon the amount of the slaughtering?

Mr. BROWNLEE. It is just a question of the distribution of meat, Mr. Wolcott, and where you want it.

Now, if you want it more in the smaller places——

Mr. WOLCOTT. Well, you surely are not distributing it if you say that a farmer cannot slaughter. Nobody gets the meat.

Mr. BROWNLEE. Well, why does he not ship it for slaughter?

Mr. WOLCOTT. Pardon?

Mr. BROWNLEE. Why won't he ship it for slaughter if he wanted to slaughter that beef?

Mr. WOLCOTT. He would be able to get more for it in the local market. There is the shipping cost. He may want to build up, in his own locality, a little business, and he will go down to a butcher and he will say: "Here, Henry, I can deliver you some carcasses every month if you want them, from now on, while you are in business," and these local merchants in the small towns especially, they are civic minded these farmers are coming in and buying from them, they are dealing with merchants in that town, and it just naturally follows that they would rather deal with the farmers in that locality

just as the farmers would rather deal with the merchants in these small towns.

We have got a problem here other than that of the big cities. Of course, we have got to ship a lot of things into the big cities, but it seems to me that we can get more to ship in to the big cities if we give a little more attention to the problems of the small community.

I cannot see any logic at all in restricting the slaughtering of any meats if they want to slaughter them, provided they do it, of course, under regulations.

You cannot wipe out a black market merely by saying to a farmer, "You shall not slaughter more than 400 pounds of meat."

It seems to me that that encourages a black market.

Mr. MADIGAN. Mr. Wolcott, I hope you got one sentence in that press release, if you read it, and that is that the regulation does not limit the slaughter of livestock for the farmer's own home consumption.

Mr. GAMBLE. That has nothing to do with it.

Mr. MADIGAN. I just wanted to clear that point up.

Mr. WOLCOTT. The farmers who did not kill meat for sale in 1944, if they register, can market up to 400 pounds.

Mr. MADIGAN. That is right, they can kill all they want to for their own use.

Mr. WOLCOTT. Well, all right. They register, and they may kill and market 400 pounds.

Well, they are not going to register, of course, any of the meat that they sell over 400 pounds, and do not think for a minute that there are not a good many farmers and everybody else for that matter who, if they have a demand for meat, are going to register the first 400 pounds.

I am not saying that any farmer would do it, but it seems to me that you are encouraging the black market by stating that he can sell only 400 pounds.

Mr. FOLGER. Will you yield, Mr. Wolcott?

Mr. WOLCOTT. I yield.

Mr. FOLGER. Suppose a farmer has 10,000 pounds of beef on the hoof, and so many hogs, and he can do as he pleases about it, slaughter if he wants to; where would the big markets get their cattle and hogs to slaughter?

Mr. WOLCOTT. He would sell in that market.

Mr. FOLGER. Would not that take away, though, the power to channel this into war purposes and to areas that needed it?

Mr. WOLCOTT. No; because the War Department can buy directly from him if they want to.

Mr. MONRONEY. They cannot buy nonfederally inspected killing. That was the scandal we had in the Spanish-American War.

Mr. WOLCOTT. I imagine if the War Department wanted to buy a sufficient quantity it would not be very difficult for an inspector to go up there and inspect it.

You know they grade them before they slaughter.

Mr. MONRONEY. Not the federally graded. They are purchased absolutely by the buyer. If they are killed, they are inspected by the Federal inspector.

Mr. WOLCOTT. There is nothing to restrict them from selling the big herd, if they want to, to the slaughterer.

Mr. MONRONEY. That is what he is saying, if the farmer had freedom to kill any amount—

Mr. WOLCOTT. Well, how much is 400 pounds?

Mr. MONRONEY. That is a pretty good amount.

Mr. MADIGAN. A cow dresses up at about 500 pounds.

Mr. GAMBLE. He has to sell 400 pounds and eat the other hundred pounds himself.

Mr. BROWNLEE. Of course, our difficulty is that if the records we have are right there is vastly more meat in the small communities than there is in the large centers.

Now, we have felt that it would be proper distribution to try and even that out by having more of this move to the larger centers where they are desperately short.

Mr. WOLCOTT. It seems the same as the dog-in-the-manegr proposition of not allowing the people to go over to Canada and buy all the cheese they wanted. We had the question of rationing of gasoline up some years ago, and the people of the Eastern States had to have their gasoline rationed. At first gasoline rationing was not predicated upon the use of rubber and especially the northern Senators and Representatives got themselves in a little group to kick about the fact that gasoline was rationed in the Northeastern States but it was not rationed in Michigan, and they said, "Why should we have to have shortages here in the East when they have no shortages in the West?" And Leon Henderson made the mistake of saying at that time—when he was pressed too hard about it—he made the statement that it was necessary to ration gasoline in the East because they wanted to conserve rubber, and of course they jumped all over him then because it was very obvious that all the automobiles and trucks rolled on rubber in the Midwest and West as they did in the East so they forced rationing in the Midwest and West because of that.

The come-back to that was, to the Senators from Maine: "Well, we would like to eat some of your lobsters in the Middle West, but we surely do not want to deny you of the pleasure of lobster eating in Maine merely because we cannot get them in Detroit." That is the same situation, it seems to me, with all of this rationing. Why should you deny the smaller community the rights to have sufficient food, merely because some of the larger areas are not getting enough when the net result of it is it is doubtful if it will be possible to get more food in the larger communities?

It seems to me that the more food you get into the smaller communities it will relieve the metropolitan areas just that much more.

We buy a lot of our meat, in Port Huron, for example, from the packing houses in Detroit. Well, if the farmers around Port Huron could satisfy the Port Huron market, there is going to be that much more meat for the people in Detroit to eat, is there not?

Mr. MONRONEY. There would be that much less meat for the Army because the Army undoubtedly has to buy a lot of meat in the federally inspected plants.

Mr. WOLCOTT. It is perfectly ridiculous. It is a matter of machinery, the Army and Navy getting their meat.

Mr. MONRONEY. They cannot get their meat from nonfederally inspected plants.

Mr. WOLCOTT. They can inspect it. You get my point, do you not? There is that much more meat in the Detroit area if I buy a piece of meat from my farmer that I do not buy in Detroit. There is that much meat in the federally inspected areas for the War Department to buy.

Mr. MONRONEY. Answer me this question, then: How do they get their beef to kill? They cannot manufacture it in the Detroit plant. They have got to call on this same area that you are advocating kill locally.

Mr. WOLCOTT. It is a matter of language and a matter of administration, and I am glad that the O. P. A. and the War Food Administration have taken the steps that they have, because I do not think there is any question in anybody's mind but that the food shortages in the United States today have been the result of the mismanagement in O. P. A. and the War Food Administration, and I am glad to see that they recognize these shortages and are doing something to relieve them.

Miss SUMNER. Although what they are doing won't relieve them.

Mr. WOLCOTT. Well, we are willing to give them a chance. They are doing something. I am just suggesting that they perhaps have not gone as far in this program as they could to do the whole job.

Mr. BROWNLEE. In answer to that, Mr. Wolcott, I would like to remind you of the figure, that there is 33 percent more meat available now than there was in peacetime.

Mr. GAMBLE. Do you mind telling us where it is, Mr. Brownlee?

Mr. PATMAN. Additional purchasing power is taking it up.

Mr. BROWN. Will you yield?

The CHAIRMAN. Mr. Brownlee may answer the question.

Mr. BROWNLEE. We think it is badly distributed, and we think there is a great deal more in certain areas than in others, and we also know a considerable quantity is being taken by the armed forces, which, of course, we all want them to do.

Mr. BROWN. Mr. Wolcott, I think there is something to what you say.

Take, for instance, the Southern States; we get a great deal of our beef always from the Western States.

There is transportation involved, and we are not getting it now, and if you permit these farmers to supply in the open markets, why, we would get our share, because the transportation is needed for the transportation of other things.

We have never produced enough meat. We do not do it now. If you are going to limit the little farmer down there to 400 pounds, naturally, we would not get meat.

I had a prominent farmer who was supplying merchants in my State who said: "I cannot get meat at all to my township." It works a hardship.

I think there could be some improvement, and I am surely in accord with the views Mr. Wolcott has expressed.

Mr. PATMAN. Will you yield to me, Mr. Wolcott?

Mr. WOLCOTT. I yield.

Mr. PATMAN. I want to point out that I believe the argument that you are making just a little bit fallacious. I respectfully do that. I know that you are pursuing that with your usual sincerity, and I am not questioning your motives at all, but I just wonder if there is not just a little false logic in your argument, in this way: Now, in times of peace and abundance, when people have limited purchasing power and they do not have the money to buy the fine things that they have now, and there is plenty of meat, your argument would be absolutely

sound and logical and reasonable, because then the more meat they got there at home the less meat they would get from Detroit.

But now, at a time of scarcity, and unlimited purchasing power, when people are eating the very finest of steaks that did not eat steaks before, why, they take all the meat they can get at Port Huron and then take all they can get at Detroit, too.

Mr. WOLCOTT. You correct that situation by the number of red points that you give each family.

Your logic is fallacious, not mine.

Mr. MONRONEY. Well, then, your points in New York have no value, because there is no beef in the stores and the people in New York say: "How come? We have got red points, but the shelf is bare"; the same as in Washington. I think it figures down to a pure mathematical proposition that the law says you cannot ship meat in interstate commerce unless it is from federally inspected plants; therefore, your vast population centers are deficit areas when the Army takes 60 percent of the federally inspected plant's supply.

Mr. WOLCOTT. You did not get the point that I made, that Michigan—probably some of the richest farming country in the United States—could supply the Detroit area with meats, vegetables, dairy products; almost everything is grown there that is worth eating, and we have quite a business there in trucking the stuff into Detroit. So, after Port Huron, according to your theory, had gotten all the meat that they wanted under rationing, then, of course, your law that provides that they shall not ship this in interstate commerce would not apply, because Detroit is in Michigan, as well as Port Huron, and we would just continue to ship our meat and our chickens and everything else into Detroit, the same as we had been doing, and that would release much more meat that was federally inspected and processed in the Detroit area for shipment to New York.

So we would channel it all the way down the line, and the more beef that the people of Port Huron buy from the farmers around there, the more beef there is in Detroit, the more beef there is in New York.

You cannot get away from it.

Mr. MONRONEY. Jesse, you cannot get more carcasses of beef than you can from the live animals that are available for slaughter.

Mr. WOLCOTT. That is just my point.

Mr. MONRONEY. The more animals you slaughter in Port Huron, the less you have in cattle for the packers in Detroit.

Mr. WOLCOTT. We in Port Huron would prefer to eat our domestic cattle, because we know they are probably better than cattle raised anywhere else in the United States. There is no reason why our farmers should not be allowed to slaughter their cattle for the open market.

Mr. MONRONEY. There is no reason why the Oklahoma people should not have more gas out there, because we produce gas out there.

Mr. WOLCOTT. That is right; why shouldn't you?

Mr. MONRONEY. Because we think it is a national problem and that we should be limited to the same amount of rationing as New York or anywhere else.

Mr. WOLCOTT. You cannot get any more. You were hollering terribly here a couple of years ago.

Mr. MONRONEY. I never did.

Mr. WOLCOTT. It was predicated upon rubber.

Mr. PATMAN. I wish Mr. Wolcott would answer Mr. Monroney's argument.

The CHAIRMAN. We seem to be resorting to a——

Mr. PATMAN. This is very important. The more cattle they slaughter in Port Huron, the fewer cattle will go to the federally inspected slaughterhouses in Detroit.

Mr. WOLCOTT. I think that answers itself.

The more cattle they slaughter in Port Huron, or around Port Huron for Port Huron consumption, the fewer cattle have to be transported from the federally inspected houses to meet the demands of Port Huron.

Mr. MONRONEY. But the Army is taking 60 percent out of that.

Mr. WOLCOTT. They can take it, and still there will be more beef for the Detroit and New York areas.

Mr. BROWNLEE. I would like to say to Mr. Brown, if I might, Mr. Chairman, that we are not limiting them to 400 pounds; we are limiting them to what they slaughtered last year; or, if they did not slaughter at all, 400 pounds.

Mr. BROWN. Of course, I appreciate the fact you have an awful problem. I think it was brought about to a great extent by the fact that we have relied on the West producing our meat. Now, I recognize it is a difficult problem. That is the reason, to a certain extent, I agree with Mr. Wolcott. I think the farmers in certain sections of this country could relieve the situation somewhat.

Of course, the packing houses have first got to let the Army and Navy have a certain amount of meat—about 60 percent of their meat; and I think the farmers could relieve that situation, because you are governed by your points, in a way, and I believe you ought to be more liberal.

You know this job better than I do. I am just throwing out this hint.

I am not criticizing you at all, because it is an awful problem, and I realize that, but I believe it is a mistake to limit the people in an area that does not produce enough meat in the kill of hogs and cattle.

I would like to know if this rumor that is being spread about so many packing houses going out of business is true.

Do you know how many packing houses went out of business in the last 12 months?

Mr. MADIGAN. I know of only three that are of any size that have shut down and then partially reopened.

One of them was in Pueblo, Colo.; that was shut down prior to any effective action by O. P. A.

The second one was in Phoenix, Ariz., and that has reopened, and he would expand if he could get labor; and the other one is in El Paso, Tex.

Mr. BROWN. I suppose there have been several small ones?

Mr. MADIGAN. There may be a few small ones, but the number of permits outstanding would indicate that instead of there being fewer packing houses, that, as a matter of fact, a great number of packing houses which had previously shut down before the war had opened during the war, and a true record would show a substantially greater capacity to slaughter today than at any time in the last 10 years.

Mr. BROWN. Well, you would know, of course.

Now, it has been rumored that in certain areas the wholesale distributors are not getting their percentage, as they used to, especially here in Washington and some of the Southern States.

Now, do you have authority to govern that and to ration it out?

Mr. BROWNLEE. We have authority——

Mr. BROWN. There is no question about some areas, where the packers are inspected federally, and they have gone so far as to say to the packers that some of them are engaged in wholesale distribution in other areas; and they are making the charge that these people are favoring those areas and those wholesale distributors in certain areas, while not favoring Washington and other areas.

Now, I just want to know if that is true and whether you have authority to break that.

Mr. MADIGAN. We have authority, under the rationing powers conferred on us by the War Food Administration, to control the geographical movement of meat and the movement to different channels of trade, and I would answer categorically "yes"; we do have the authority to correct that situation.

Mr. BROWN. Well, is that true?

Mr. MADIGAN. I think there is a great deal of truth in it, and we have worked on that problem, as Mr. Patman knows, with some of the people from the Small Business Committee for several years, and we have never been able to figure out a satisfactory solution to it; but I think I can state here that we are restudying the thing, and with this new distribution program we are putting in, if it is conclusively demonstrated that the slaughterers are unwilling to effect a fair distribution to their channels of trade that they have used during past flush periods, that we will proceed on to order such correction to take place.

Mr. BROWN. Well, of course, I want as little as possible Government interfering in business, because I do not believe in governmental intervention in business as a theory, but we have got to correct maldistribution.

Now, is it true that these packing houses have any interest in wholesale distribution to any of these areas? Is that true?

Mr. MADIGAN. Well, I think you are aware, are you not, that most of your——

Mr. BROWN. I am not making the charge. It has been made. I know they are having their troubles, too—the packers are.

Mr. MADIGAN. That is right. But most of your packers of any size have their own distributive outlets, either branch houses or those same packers may use independent distributors in some areas, and the whole system is very closely intertwined. Some slaughterers have no branch house and use wholesalers exclusively. Other slaughterers have branch houses and do not use wholesalers at all, and you get all the variations between those two, and we feel that the nonprocessing—the nonslaughtering processor and wholesaler—has been discriminated against in some cases.

Mr. BROWN. Are you making any effort to correct that?

Mr. MADIGAN. We have studied the problem a number of times, and it has been extremely difficult to figure out any way to correct it that would not be extremely burdensome administratively.

Mr. BROWN. I appreciate that.

Mr. MADIGAN. And we are going to approach it again and given a little manpower and a little time, we hope, to get some correction into it.

Mr. BROWN. A lot of people claim—I do not know whether it is true—that we get less meat here than in any city in the United States. Some man told me yesterday; of course, I do not know.

That is all I have.

The CHAIRMAN. Mr. Gamble, do you have any further questions?

Mr. GAMBLE. In the hope that the black market will be wiped out, why do you think people buying in the black market will stop buying in the black market because this statement has been issued? Because you say it would not become effective until probably 30 or 60 days have elapsed, so they will not get any more meat in the meantime, why would they not just continue buying in the black market, if they have been? And they are, of course.

Mr. BROWNLEE. We think, of course, that more enforcement is going to help that, and better channeling of the meat is going to help it. We do not think there is any overnight cure for it, sir, but we do believe that those two steps will be of marked assistance. So long as there is less meat than they want, probably some of them will still try to buy it in the black market.

Mr. GAMBLE. Because you think there will be more meat on the shelves in the local stores?

Mr. BROWNLEE. We think the deficit areas will have more meat in them; yes, sir.

Mr. GAMBLE. Why all the delay in this? This probably is getting more and more difficult, and nothing has been done. The people just do not understand it.

Mr. BROWNLEE. The problem really got severe when the hog supply dropped very substantially, and that became intensified, and pushed all the cattle against the ceiling, so that we began to get very severe complaints about it. We then started to take actions, as to the various hog actions which I have spoken to you about, but we have felt that we handled it as we saw it at the time. Now, the situation has gotten worse. The animals are right up against the ceiling, constantly, so we felt that it was certainly evident, some weeks ago, that we must take a major step, which we took under this program. Up to that time we had not felt that major corrections were as necessary as since they have appeared to be.

Mr. GAMBLE. Of course, I get it both ways. You go home and get it not only from the people that cannot get meat, but you get it if you go into the markets. As soon as I put my head into a market that sells meat, they get hold of me and take me to their refrigerator and say, "There isn't anything. What is being done? What are you doing, and why doesn't Washington take some action?" They want to know, "Even if Washington does not take action, why don't you do something; what are you doing?" Because they have nothing to sell, and they are as irritated as their customers are.

Then somebody comes in and shows them a nice steak that they bought in the black market. That does not help the equilibrium in the human mind very much. Is this true, that under this order, O. P. A. takes over distribution which has formerly been handled, if it was handled at all, by W. F. A.?

I would just like to clear up the question of who is responsible. I understood W. F. A. was. I have said that, and I have been told that O. P. A. was responsible for it and I have been told you were not responsible for it.

Mr. MADIGAN. You are quite correct if you are dealing with the control of slaughter. We have not had the control of slaughter and will not have it until the 29th of this month when our order will become effective. That has been delegated to us in the last few days.

Prior to that time, the W. F. A. had the control of the slaughter.

Mr. GAMBLE. That is the licensing?

Mr. MADIGAN. That is true and they are delegating to us the control of nonfederally inspected slaughter.

Now, then, on the other part of your question, the control of distribution, the Price Administration Office has had that according to law, authority over distribution, but during the last year there was quite a small amount in the way of a distribution problem, because of the heavy production; the civilian supply was divided in fairly normal percentage between federally inspected and nonfederally inspected. Last year 60 percent was federally inspected and 35 percent nonfederally inspected, which gave us a fairly decent distribution.

At the present time, the percentage of the federally inspected meat of the civilian supply is closer to 50 percent, half and half. We have to move that close up to 60 or 62 percent in order to get any reasonable distribution in these areas and then we may actually have to require some of the national slaughters to ship more into these areas to bring about proper distribution.

Mr. GAMBLE. How will you do that? Will you just order them to ship so many pounds of beef to New York or Washington or San Francisco?

Mr. MADIGAN. Well, we could do it that way. We do not have that in mind as the right way to do it, because we do not have enough facts as to what they did normally and what they did during normal periods. Our attack on that problem is more of this character:

We propose to get, from all federally inspected packers, the pattern of their shipments during the last period we thought there was a very satisfactory distribution, which we think was the first calendar quarter of 1944. That was a flush period of production. That will indicate to us what was a fair pattern at that time, and we will study the current pattern, percentages of their shipments to each of the major markets of the country, and if we find from that observation that they have deviated from the pattern which was satisfactory in the flush period, we will have to order them to reinstate that pattern, and possibly even to vary their pattern to take care of individual areas.

Mr. GAMBLE. How long will it take you to complete your studies on that?

Mr. MADIGAN. I am estimating that we will not have any real effect on that short of 60 days. It takes a considerable amount of work to get those figures together.

Mr. GAMBLE. Well, of course then, if that is your estimate, Mr. Brownlee, you or we would not have much help in the next 30 to 60 days.

Mr. MADIGAN. Perhaps I should point out, Mr. Gamble, that the control order goes into effect the 1st of May, and that should immediately start forcing a little more meat into the federally inspected

hands and when we get that meat into their hands, we intend to see that they put that in the areas of the greatest shortage, and then by the end of the 2-month period, we will probably have enough statistical data so that we can do that much more exactly and from then on we should have a fairly accurate picture of the national meat distribution.

Mr. GAMBLE. I do not object to the statistical data if it gives us meat.

Mr. BROWNLEE. We think we can move on the worst areas, in some measure short of 60 days, but we think, as Mr. Madigan says, that to get an accurate distribution will probably take that long.

Mr. GAMBLE. Are you going to get some help, too, on the extension of the federally inspected plants, for the Army?

Mr. MADIGAN. Mr. Davis in the Office of Economic Stabilization has requested the War Food Administration to do everything they can to extend either complete Federal inspection or partial Federal inspection to any slaughterer who asks for it, and the Army on the other hand is going to do everything it can to buy as much as possible from the people who are now not federally inspected, but who are willing to take partial or complete Federal inspection.

Mr. GAMBLE. And they will cooperate, will they, on that?

Mr. MADIGAN. We hope they will, because we think that is a very vital part of this program. The more meat they can get from these people who are not now federally inspected, the less burden there will be on the existing federally inspected plants and, as a matter of fact, the less cut in volume also on these nonfederally inspected packers, because they will have the higher volume for the Army.

Mr. BROWNLEE. Also by making Army purchase more desirable to them in the form of this 35-cent increase, they will probably be more pliable that way. Also, the R. F. C., in any expense incurred in changing to Federal inspection, will loan them money to do that.

Mr. GAMBLE. That is all, Mr. Chairman.

The CHAIRMAN. Mr. Patman.

Mr. PATMAN. Mr. Brownlee, what will red points purchase, besides meat, that is?

Mr. BROWNLEE. Butter, cheese, fats, and canned fish.

Mr. PATMAN. Fats and canned fish?

Mr. BROWNLEE. Yes; butter, cheese, fats, and canned fish.

Mr. PATMAN. What is included in fats?

Mr. BROWNLEE. Lard and shortening, oleomargarine.

Mr. PATMAN. Now, Mr. Wolcott, a while ago, made the point that the more meat the people of Port Huron could purchase locally, the less meat they would buy from Detroit, thereby giving Detroit more meat. Then, when I come back with the argument that in times of abundance that would probably be true but in times of scarcity it is not, he said, "Well, each person is rationed so much meat anyway."

That is a pretty good answer, except for the fact that these red points will purchase other things besides meat. So if you can induce people to use those red points to purchase something else besides meat, there would be more meat for the Army, and the armed services, than for other purposes, would there not?

Mr. GAMBLE. I did not think anybody had enough red points anyway, Mr. Patman. You have to have points.

Mr. PATMAN. Well, if you carry that argument, Mr. Wolcott, to its logical end, as I see it, if people locally could purchase all the meat that they want if they have the red points, and use it for meat and not use it for other things, there would not be much meat left for the armed services. We would be eating it locally, and it would not go into the federally inspected slaughterhouses where it could be used for the armed services. Would that not be the logical result?

Mr. BROWNLEE. We would think so, sir, and also the supply of red stamps is more plentiful in the farm communities because obviously they do not have so much butter to buy. Many of them make butter.

Mr. PATMAN. They produce their own fats, and their own butter, shortening, and things like that, on the farms?

Mr. BROWNLEE. That is right.

Mr. PATMAN. And they have more red points to use to purchase steaks if they want to?

Mr. BROWNLEE. That is right.

Mr. PATMAN. The main thing that you are trying to do, then——

Mr. WOLCOTT. Would you yield to me there?

I live in Port Huron and I do not make butter.

Mr. PATMAN. He did not talk about Port Huron.

Mr. BROWNLEE. I am talking about the farm areas.

Mr. PATMAN. He is talking about the farm areas.

Mr. WOLCOTT. Well, the argument is fallacious because right in their release here, it says, "farm slaughter for home consumption is wholly unaffected by this program."

They can slaughter all the beef they want on the farm and release the red points.

Mr. PATMAN. That was not the point. The point was certain farm communities, do not produce beef cattle so much, but they produce butter and fats and things like that.

Mr. WOLCOTT. Ninety percent of the farmers produce their own butter. The people who live in town do not produce their butter and and to buy that from the farmers, they have to give up their points for that.

Mr. PATMAN. Now, all these slaughterers that are trying to get additional price, do you not put pressure on them to accept Federal inspection, if you can?

Mr. WOLCOTT. Well now, just a minute——

Mr. BROWNLEE. You bet.

Mr. PATMAN. That is the whole trend, to get them into Federal inspection somewhat so you can get your hands on that meat, which is right.

Mr. BROWNLEE. That is right, sir.

Mr. PATMAN. And otherwise you would not get enough for the armed services, for the civilians, and for lend-lease. Now, I was impressed by the arguments that have been made about the enforcement, failure of the enforcement on the part of O. P. A. Is it not a fact that O. P. A. has asked for funds time and again for the purpose of giving O. P. A. a sufficient enforcement staff, and Congress has repeatedly cut down the request for the appropriation?

Mr. FIELD. Generally speaking, Mr. Patman, that has been true. As Mr. Brownlee stated earlier, however, we recently——

Mr. PATMAN. Just recently?

Mr. FIELD. We have been given the funds for an additional——

Mr. PATMAN. That is right, but up until recently, I think Congress is to blame, and the blame was placed upon the doorsteps of Congress every time that appropriation bill came up. I know a number of us made arguments in favor of an increased appropriation and said this was very important, that we should have plenty of money to enforce this law.

Nevertheless, the Congress, and the Appropriations Committee, especially, repeatedly cut down the money to enforce this law and now they are accusing the O. P. A. of failure to enforce the law in the past, when Congress itself has refused to give O. P. A. the money to do it.

Mr. GAMBLE. Will the gentleman yield?

Mr. MONRONEY. Will you yield?

Mr. PATMAN. Yes; I yield.

Mr. MONRONEY. Was it not also a fact that O. P. A. bitterly resisted the lifting of certain rationing last fall, but that the pressure from producers caused the meat rationing to be greatly liberalized and to consume on the tables of the country an excess amount of meat?

Miss SUMNER. The producers against rationing? I never have had a letter in my life of producers being against rationing.

Mr. MONRONEY. The producers were in favor of rationing and against the rigid rationing and it was the War Food Administration that overrode the O. P. A. to grant very liberal rationing last fall.

Mr. GAMBLE. I thought I made that prediction.

Miss SUMNER. I do not know, maybe the democratic Congressmen from Illinois got letters like that, but I never had a letter against rationing. Everybody laughed out where I was and said it was politics for the election.

Mr. MONRONEY. It was largely the work of the producers on the War Food Administration that forced those off rationing.

Miss SUMNER. It is a new one on me.

Mr. MONRONEY. Anyway, the record is clear that O. P. A. has resisted it bitterly to the end of it; is it not?

Mr. BROWNLEE. Right.

Mr. PATMAN. Is it not a fact, Mr. Brownlee, that by reason of the failure of Congress, heretofore, to provide sufficient money, that you have had to depend largely upon voluntary help to enforce this law?

Mr. BROWNLEE. Yes, sir; we have felt we have needed more enforcement, help to do an adequate job, and so stated.

Mr. PATMAN. And you have had four or five volunteers in your organization to every one who is paid a salary?

Mr. BROWNLEE. A great deal more than that, Mr. Patman.

Mr. PATMAN. So the Congress has given you a law to enforce, involving 8,000,000 different commodities and prices, and plenty of power, but little money to do it, and requiring you to depend upon voluntary help almost entirely to get the job done?

Mr. WOLCOTT. Will you yield to me?

Mr. PATMAN. I yield to Mr. Wolcott.

Mr. WOLCOTT. How many volunteers have you got in the Enforcement Section?

Mr. BROWNLEE. In the Enforcement Section, none, sir. We have price panels, however, for compliance, which refer their cases to Enforcement, Mr. Wolcott.

Mr. WOLCOTT. Thank you.

Mr. PATMAN. On the price panel, is the most essential part of it in relation to enforcement?

Mr. WOLCOTT. It is not in enforcement.

Mr. PATMAN. But it is the most essential vehicle.

Mr. MONRONEY. The price panel is the most important step on compliance. If you have compliance, the pressure on enforcement is lessened.

Mr. BROWNLEE. That is right.

Mr. GAMBLE. Will you yield?

Mr. PATMAN. I yield.

Mr. GAMBLE. I think when we were having O. P. A. hearings this committee urged additional appropriation for enforcement.

Mr. PATMAN. We had no power to do that.

Mr. GAMBLE. I know, but as far as the hearings were concerned, in fact, we told Mr. Brownlee and Mr. Bowles that we hoped they would be able to get additional inspectors.

Mr. PATMAN. We voted for it.

Miss SUMNER. I think the more enforcement they have, the more they discourage production.

Mr. PATMAN. You want lack of enforcement?

Miss SUMNER. I think if you have more lack of enforcement, you would have more meat than you have today. I think the O. P. A. knows it.

Mr. PATMAN. That is going in the wrong direction.

Mr. WOLCOTT. Will you yield, Mr. Patman?

Mr. PATMAN. I yield.

Mr. WOLCOTT. I think it will be recalled that when the last O. P. A. bills were up for additional help, O. P. A. was retrenching somewhat; whoever was in charge said that at the time they were taking all but good cuts of beef off rationing, and there was no necessity for increasing a number of enforcement agencies because you decrease largely the load they had to carry in enforcement.

Now, of course, it is rather peculiar that while last year we could take off rationing all the meats, with the possible exception of the best cuts of beef, we find ourselves in this very incongruous position today of rationing all kinds of meat—4 months afterward. I have never quite understood why if you could take off rationing altogether last year, the situation is so acute as it is at the present time.

Mr. BROWNLEE. I think the record of the agency is pretty clear that we felt the rationing was unduly relaxed last fall.

Mr. WOLCOTT. Who overrode you?

Mr. BROWNLEE. The Office of Economic Stabilization, I believe, or maybe W. F. A.

Mr. WOLCOTT. Did you report to them that you resisted?

Mr. BROWNLEE. We said to them that the overrelaxing of rationing was very dangerous at that time.

Mr. WOLCOTT. What other agency does the Stabilization Office have for gaining information on these questions other than yourself?

Mr. BROWNLEE. Well, of course, the supply agency is the War Food. We are not the supply agency.

Mr. WOLCOTT. They decided then they would have supplies enough to go around?

Mr. BROWNLEE. Apparently so.

Mr. PATMAN. I would like to say that I remember some Congressmen warned, when this was done, that it was definitely an inflationary step and they refused to give them more money for enforcement.

Mr. BUFFETT. Is there any evidence that increased appropriations for enforcement brought more enforcement, for example in the case of prohibition laws?

Mr. PATMAN. Oh, well, that does not——

Mr. BUFFETT. That is a similar situation.

Mr. PATMAN. No, that is not the same thing at all. This related to 8,000,000 commodities, prohibition related to one. This is during war and that was in time of peace.

Mr. BUFFETT. But the proposition was to tell the people what they can do, was it?

Mr. PATMAN. You do not object to telling them what they can do in wartime, do you? Do you object to this law?

Mr. BUFFETT. I object to a lot of things they are doing with this law; yes, sir.

Mr. PATMAN. That is the trouble about this; people are attacking this law and attacking the O. P. A. from every angle on earth, and shooting at it and I am not so sure what is going to happen in this country when VE-day comes, and people have heard so many attacks, and they have been misled, and there has been so much loose talk they are liable to say, "let us just not have any controls. Let us let it all go." Then we will lose the war here at home. We will have a ruinous inflation which would be equal to the loss of the war.

The CHAIRMAN. Will the gentleman yield to me? I think you are mistaken; when the bill gets back in the House there will not be 10 votes against it.

Mr. PATMAN. Well, for instance, now, they are attacking the law in their subtle way by saying they ought to have all foods under one administrator. In other words, one person to look after just food, without reference to stabilization. There is an over-all picture here. Stabilization; prices; and if you begin to shoot this thing with all food under one administrator, one item, are they going to think about food and not stabilization? That is a definite attack on this law, and it is definitely inflationary.

Mr. BUFFETT. Will you yield?

Mr. PATMAN. Yes.

Mr. BUFFETT. What happened last fall on this rationing except a confusion of controls? and as happened a little earlier on hogs and created the actual meat shortage we have now.

Mr. PATMAN. I think they have made less mistakes than ever. Do you know anybody who ever did any better?

Miss SUMNER. Certainly.

Mr. BUFFETT. Certainly.

Mr. PATMAN. Who was it?

Miss SUMNER. I can pick almost any farmer who raises cattle in my district and he would do a better job of production on meat than those men down in O. P. A.

Mr. PATMAN. Just any farmer from your district? Now, he has a very little knowledge. He could raise a hog, but does not have an over-all picture of stabilization.

Miss SUMNER. Well, I will quote a man here who raises——

The CHAIRMAN. Is the committee going to suggest a new administrator for the O. P. A.

Mr. PATMAN. No.

The CHAIRMAN. Well, let us go on with the hearing.

Mr. PATMAN. I think they have done an excellent job on the prices they have had to control, with comparatively few mistakes. If you will just list the things they have done in one column and then in another column the number of admitted mistakes, or the obvious mistakes, you would find that the percentage would be very, very low on obvious mistakes.

Mr. WOLCOTT. Will you yield, Mr. Patman?

Mr. PATMAN. Yes, sir.

Mr. WOLCOTT. I think we are all concerned about inflation. Now, what causes inflation? It is this unusual amount of purchasing power against an amount of goods which does not exist. You do not object to our calling attention to the fact that the scarcity of goods is just as inflationary as an increase in purchasing power, and if the O. P. A. has administered this law in such a manner as to create a scarcity of goods that tendency is just as inflationary as if we had no price control at all.

Mr. BROWNLEE. I do think the record of production should be put in here.

Miss SUMNER. I wonder whether you have that 35-percent increase. I doubt that.

Mr. PATMAN. I do not doubt it at all. I think the statement is correct. I do not think anybody can disprove it.

Mr. BROWNLEE. Those Department of Agriculture officials——

Mr. PATMAN. I will admit that scarcity of goods will cause inflation. Certainly. We need production in order to cure any chance of inflation. At the same time, I think that during O. P. A., production has increased, both in manufactured goods, and farm commodities.

Mr. WOLCOTT. Will you yield, to me, Mr. Patman?

Mr. PATMAN. Yes, sir.

Mr. WOLCOTT. If you could raise the price of beef to the consumer 1 cent a pound, by doing so give everyone all the beef that they could get, would you prefer that to a black-market operation which caused the consumer to pay 10 cents a pound more?

Mr. PATMAN. Taking that by itself, it sounds very logical and reasonable and persuasive, but how can you raise beef 1 cent a pound and not raise other things where the ease could be made just as meritorious? Then whenever you raise the price of beef, and you raise the price of other things just a little bit, you have from ten to twenty million people in this Nation who are getting a check from the Government every month, to live on, because their loved ones are fighting this war.

Mr. WOLCOTT. Well, there are others——

Mr. PATMAN. All right, wait just a minute. And whenever you increase it for them, they will come in and say, "Increase it for us," and if we are honest in our dealings with them, we will have to increase it.

Mr. WOLCOTT. That is the thing I was getting at.

Mr. PATMAN. If we increase it for them, we will need another beef industry increase, and the first thing you know you have a run-away race between wages on one hand and price level on the other and the sky is likely to be the limit. Not only will these ten to twenty million people be crushed and not have a decent standard of living while their loved ones are off winning this war for us, but all the other people who

are living on fixed incomes, fixed salaries, old-age assistance, retirement benefits, insurance payments, they will all be in the squeeze, so there is more to this than just a little increase in price. You cannot increase the price of beef without increasing the price of other things. Then you have got this run-away result.

Mr. MONRONEY. I guess if what you say is true, that increasing the price of beef 1 cent—I do not know where you want to put it, on the processor or retailer or cattle raiser—but I think if 1 cent would do it, every member here would vote a 1 cent additional subsidy to the cattle raiser to get a bigger supply. But that supply would not be increased for more than 2 years, and we hope that the war will be over by that time.

Miss SUMNER. Are you serious on your 2-year business?

Mr. WOLCOTT. The increase in wages is predicated not on the index of standard of living as determined by the Bureau of Labor Statistics, it is predicated upon the actual increase in the cost of living to the average consumer.

Now, if he cannot get beef legitimately, at a ceiling price, then he gets his beef in the black market at a much higher price, and he considers that his increase in the standard of living. He will not take the figures for beef. So, if he has adequate supplies of essential things, then wages can be controlled. Of course, you do not relieve the situation at all by a lot of pious statements about the figures of certain commodities. You have to take into consideration in your prices, not only the pennies and dollars that you pay for the commodity, but also the quality of the commodity.

I called attention sometime ago to the matter of shoes. There is a ceiling on shoes. But the pair of shoes that costs \$15 now, probably is not as good in quality as a pair of shoes which cost \$7 before the war, so that a person has to buy two pair of shoes in the same period that he used to buy one pair. That is just as inflationary as to let the \$7 pair of shoes cost \$15. It is not desirable, of course, but I point out to you those things as weaknesses that exist in the Price Control Act. We should not destroy the Price Control Act merely because of those practices. There are a number of others.

Take canned goods. They give a new name to them, cut the quantity in two, put a little larger piece of cardboard on the bottom, and sell it for the same price but the consumer only gets half the amount of goods.

Take cigars; I do not know where all these 40 and 50 cent cigars are coming from, but down there at the Statler Hotel, I was very much insulted a while ago. I figured that three for 50 cents cigars was a little higher than I could pay, but I came down to the Statler, and decided I would go up to three for 50 cents and I asked if they had any three-for cigars, and they said, "Three for a dollar?" I said, "No, three for 50 cents." She acted as if I were a panhandler and had gone in and asked for a hand-out. Nobody patronizing the Statler cigar counter should go there unless they can afford to buy dollar cigars, and I just do not do it any more. Although you cannot buy cigarettes at the cigar counters of these hotels, you can walk around the corner into the lounge and get cigarettes there from a girl who comes around and sells you all you want for 25 cents.

I have heard it stated that in the cocktail lounges you can buy cigarettes for 25 cents. Those practices are inflationary, and are not

controlled. I grant it is rather difficult to control them. Of course, the answer would be that people would not pay 25 cents for cigarettes in the cocktail lounges if they could buy cigarettes for 15 or 16 cents over the counter, and the same with cigars, and the same with everything else.

Mr. MONRONEY. In regard to deterioration of quality, you are not coming out in favor of grade labeling?

Mr. WOLCOTT. No, but I think you invoke grade labeling when you require a farmer to grade beef. Of course, I do not think there are as many farmers who have these slaughter grades as the average butcher and the average butcher knows the grades, I think, a good deal better than the average farmer. So long as the farmer does not actually sell grade C beef for grade A ceiling prices, I do not think that it should be a considered violation of the law, although I realize the necessity of trying to regulate it somehow.

The CHAIRMAN. Well, it is obvious that the witness cannot conclude his testimony this morning.

Mr. BROWN. May I ask a question? I will not be able to be here this afternoon.

The CHAIRMAN. All right, Mr. Brown.

Mr. BROWN. Mr. Brownlee, the housewife here in Washington is considerably irritated about not getting steaks, while the hotels and restaurants get the steaks, is that not the complaint?

Mr. BROWNLEE. I assume there is such a complaint, sir. I assume that you get more steaks perhaps in some of the restaurants than you get in the stores and we are trying our best to stop it.

Mr. BROWN. I suppose that is something beyond your control?

Mr. BROWNLEE. We hope to do more with it with better enforcement, Mr. Brown. It is a difficult problem, of course.

The CHAIRMAN. The committee will adjourn until 2 o'clock.

(Thereupon, at 12:30 p. m., the committee adjourned to meet again at 2 p. m., the same day.)

AFTERNOON SESSION

(The committee resumed at 2 p. m., pursuant to adjournment.)

The CHAIRMAN. We will proceed.

Mr. PATMAN. Mr. Chairman, I was interrogating the witness but I see the importance of haste in this matter, so I am going to forego any other questions.

The CHAIRMAN. Well, Miss Sumner, do you have a question?

Miss SUMNER. On this question of the beef supply, your contention is that beef slaughter in 1944 was up 31 percent over the average 1935-39; is that right?

Mr. ERICKSON. Total meat production, that is counting hogs and cattle was up 53 percent. It is expected this year the total meat supply will be up 35 or 38 percent of the 1935-39 period.

Miss SUMNER. How did you arrive at those figures?

Mr. ERICKSON. Those figures were taken from the War Food Administration and the Department of Agriculture. We did not collect that data ourselves.

Miss SUMNER. What did they do, estimate?

Mr. ERICKSON. Well, of course, they have 1935-39 data on slaughter; they also had the 1934 data on slaughter.

As far as 1945 is concerned, it is an estimate based on previous production, plus available livestock on farms, and the estimated pig crop.

Miss SUMNER. Well, how do they get those figures; from the processors?

Mr. ERICKSON. Oh, yes; the ones on slaughter are obtained from the processors as far as a certain group of packers are concerned. Farm slaughter and some of the local butcher slaughter is estimated.

Miss SUMNER. Well, the slaughter which the packers do—in reference to that, do you only take the slaughter of federally inspected slaughterhouses?

Mr. ERICKSON. No; they have full data on federally inspected plants, complete data.

We also have some data on nonfederally inspected plants, and the remaining slaughter is estimated from figures they have on total production of livestock.

Miss SUMNER. Well, how do you mean? Do you mean they take federally inspected slaughterhouses and project from that the increase in the other slaughterers, in the noninspected plants?

Mr. ERICKSON. Miss Sumner, I cannot give you the full details as to how they arrived at those figures. It is my general opinion from what discussions I have had with them that they do have some data besides the federally inspected slaughter on which they base their estimate of total slaughter.

They do not have complete data as you understand because all slaughterers are not required to report to the War Food Administration.

Miss SUMNER. Is it only the federally inspected slaughterhouses that are required to report?

Mr. ERICKSON. Prior to the war, that was true.

Miss SUMNER. Is that true now?

Mr. ERICKSON. No. Now, all of your class 2 slaughterers, which are the ones who are nonfederally inspected, but yet produce more beef than your farm slaughterers, also have to report.

Miss SUMNER. Would you mind repeating that?

Mr. ERICKSON. I say under the War Food regulations, the federally inspected slaughterers have also had to report, so they have complete information on them. During the war period they have information also on some of the larger nonfederally inspected plants.

Miss SUMNER. Well, is it not a fact that there was an increase in the number of federally inspected plants after 1939?

Mr. ERICKSON. Yes; that number has increased rather substantially. I do not recall how much, but I think it is in the neighborhood of about 140 under the former act.

Miss SUMNER. About 140?

Mr. ERICKSON. About 140 more plants have come into Federal inspection under the former act. That makes about 500 in all.

Miss SUMNER. How many did they have before the act? How many plants?

Mr. ERICKSON. Something like 350. That is just an approximate figure.

Miss SUMNER. Was that due to the fact that there was an act passed through under the sponsorship of, I believe, Mr. Colmer?

Mr. ERICKSON. That is correct.

Miss SUMNER. Do you know the date of that act?

Mr. ERICKSON. No; I do not. I think it was late 1942 or early 1943, but I would not be certain.

Miss SUMNER. Well, then, since your data are the only accurate figures that come from these federally inspected plants, and they are only estimated on most of the nonfederally inspected plants, you are not at all sure that there is a national increase in slaughter, are you?

Mr. ERICKSON. Well, as I told you, Miss Sumner, those figures are from the War Food Administration. That agency has the appropriations for making the studies and collecting the data. We do not have that authority or the manpower, so naturally, we accept the figures from the supply agency.

Miss SUMNER. Well, on the face of it, as you describe it, it seems to me that the data are unreliable for that reason. Then it occurs to me if your meat, that is slaughtered, comes to the market without being fattened, you would have an increased number of cattle and still have less pounds of beef, actually edible beef, than you had before; is not that right?

Mr. ERICKSON. Of course, the weight of the animals coming to market is considered in the estimates of total production.

Miss SUMNER. Now, explain that.

Mr. ERICKSON. It is a poundage figure.

Miss SUMNER. What is that?

Mr. ERICKSON. I say, it is a poundage figure we are using, total volume, when we say production is up in this year or in 1944, over the pre-war period. Now, in obtaining the total volume, they take the number of livestock and live weight per animal, and the dressed weight also, in obtaining the meat. Now, those are estimated figures, based partially on the long experience in dealing with those matters.

I am sorry I cannot give you more detail on how they arrive at those figures.

Miss SUMNER. Now, you had 350 plants before the war, and you have 140 plants added to that, that were not counted in before, so it might very well be that it was just a matter of counting more plants instead of actually getting more pounds of beef. What reason have for thinking that that is not true?

Mr. ERICKSON. Miss Sumner, the Department of Agriculture and the War Food Administration have an allocation board that is set up to allocate meat to the war agencies and to civilians.

Now, the data they have for making those allocations are very accurate. It has turned out that their estimates have usually been very close to the actual production.

I just cannot give you any more detail on how they arrive at those, but they do take into account nonfederally inspected slaughter and farm slaughter in arriving at total slaughter.

Miss SUMNER. Well, we know where we are, that before the war we fed cattle, and we know that the feed lots are largely vacant today.

Now, if cattle is going through, as it usually does, and even more, where is this cattle being fed?

Mr. ERICKSON. Again, Miss Sumner, we have to take the War Food Administration figures, because that is the supply agency. Their figures show that the number of cattle on feed, the first of this year, were exceeded only in 2 other years in the history of the country.

It also shows that on April 1 of this year the number of cattle on feed was 8 percent above the number on feed last year at this same time.

Miss SUMNER. Well, how is it compared to before the war?

Mr. ERICKSON. It is up considerably. The number of cattle on feed is up considerably compared with the pre-war period.

Miss SUMNER. Well, in what parts of the country do they have these feed lots that you are speaking about?

Mr. ERICKSON. At the present time, your feeding, of course, is being done in your own area——

Miss SUMNER. No; we are not feeding in our area. We used to but we are not. There are very few feeding there now.

Mr. ERICKSON. I was going to state also that feeding has moved farther west this past year because of the availability of supplies of feed, in the Kansas area and on up through Nebraska and western Iowa.

Mr. SUNDSTROM. Will you yield?

Miss SUMNER. Yes.

Mr. SUNDSTROM. Even though the number is maybe up on the feed lots, is it not a fact they are not keeping them on the feed lots as long and therefore they are not getting them as big as they used to?

Mr. ERICKSON. The percentage of choice feed slaughter which comes from your livestock is very high this year as compared with pre-war periods. There may be some upgrading in that, but on the other hand, War Food Administration feels that the grading is being done pretty much along the lines it was done prior to the war.

Mr. SUNDSTROM. The feeders have told me, many of them, people that raise cattle, that they just cannot keep them on the feed lots as long as they like to because the rules and regulations change from the time they buy the cattle to the time they sell them and they cannot keep them there and that is why they are not sending as many to the market. I have had many letters, and I think Fulton Lewis, of the radio, said he made a trip through the feed lots and found many, many of them empty.

The figures, if they are right, do not seem to stack up with the evidence I have gotten.

Mr. BROWNLEE. Subsequent to the figures being presented to the Senate Agricultural Committee they were questioned; the report then came out again from War Food, and we asked them whether those were accurate figures and they said there was no question in their mind but what they were.

Mr. MONRONEY. Will you yield?

Miss SUMNER. Yes.

Mr. MONRONEY. I do not think your figure on the killings on this Choice is worth anything, because my experience with the Oklahoma City livestock market is that it is upgraded all the time and that is one reason for the failure to keep them on the feed lots, that a man can bring in a grass-fed animal and sell it on almost any market as Choice.

Mr. ERICKSON. I believe the War Food Administration is doing a reasonably good job of grading, and they have about 80 to 85 percent of the total commercial slaughter under Federal grading at the present time.

Mr. MONRONEY. What is that?

Mr. ERICKSON. That is grading of dressed carcasses.

Mr. MONRONEY. That is different.

Mr. ERICKSON. I was speaking of the dressed carcasses.

Mr. MONRONEY. I see.

Miss SUMNER. Well, where we are, the reason we are not feeding, as you know, is because we have to have 3 cents differential from the Kansas City market, and—that is in normal times—and we are not getting it. Now, our best experts say we would have to have 5 cents, and one of our best men in our State, certainly the best man in my district—I have discussed it with him only the other day—will not feed next year, and that is one of the richest parts of my district.

Can those people in Nebraska feed with less differential than that?

Mr. ERICKSON. The type of feeding that they do in Nebraska and Kansas includes more roughage, and their feeding spread can be much narrower than in the heart of the Corn Belt.

I might state, though, that at this time of the year it is normal for your feeding margin to be rather narrow. It is for this reason that cattle are on grass or going onto grass soon, and the range people will not release them except at high prices.

Consequently, the feeding margin has always been narrow in the spring and early summer.

Miss SUMNER. Well, we do not feed in the spring and early summer. We only feed in the fall, after the grass dries up, until early spring.

Mr. ERICKSON. Yes; that is right, and for people who put cattle in the feed lot in the fall, the margins have been fairly substantial.

Last year, cattle were going into feed lots at an average price, if I recall, of around about \$12 to \$12.50 at Kansas City.

Now, our maximum price, on Choice cattle, at Chicago is \$17, with an overwriting ceiling of \$18. So we have had quite a wide spread.

Miss SUMNER. What was the spread in cents?

Mr. ERICKSON. It would be around, approximately 4½ to 5 cents from your normal average feeding animal up to the Choice grade animal at Chicago.

Miss SUMNER. Well, now, I cannot understand this. Of course, there is nothing I can do about it except vote against it; I realize that, and I am just wasting my time talking here, but, at the same time, as you know, there are a lot of people in Illinois who feed cattle who cannot understand the Government, and a lot who eat meat who cannot understand why a proper program is not arrived at by O. P. A. But for the life of me, this thing is beyond me when you come in here and say 4½ to 5 cents, and I have talked to feeder after feeder and they say they do not get that. What is wrong about that? There is something awfully queer about it.

Mr. BROWNLEE. Well, of course, that is the spread if they feed to Choice grade. The spread is less if they feed to Good grade.

Mr. BUFFETT. Will you yield?

Miss SUMNER. Yes.

Mr. BUFFETT. In the first place, the top grades sold around \$17 last fall; now, the Common grade is around \$12 or \$12.50 for feeders.

Miss SUMNER. That is what we get.

Mr. BUFFETT. And you get \$14.50 for the cattle or around that, as they finish. That is the way it looked then. There is not any 5-cent spread.

Mr. MONRONEY. Is it not a fact, too, that this upgrading runs the price of your feeder cattle up so that the historic spread is not there?

Miss SUMNER. The historic spread is not there, I have had it from every feeder I have talked to, and I have made it my business; and the O. P. A. has talked to those feeders.

What is your explanation? Do you think they are lying?

Mr. ERICKSON. Miss Sumner, you should realize that the spread I spoke of is the spread between the average feeder and a Choice animal. Now, under our grading regulations, about 15 percent of the total cattle that are slaughtered grade Choice. A bigger proportion, around about twice that amount is graded Good. Most of your feeding is from the lower grades on up to Good and not up to Choice.

Miss SUMNER. That is right.

Mr. ERICKSON. As a matter of fact, the War Food Administration and O. P. A. has felt that the best way to utilize your feed is to raise your cattle up to Good grade rather than Choice. The spread is somewhat narrower. If they use roughage as they have done this past year in the western part of the feeding belt, the margins have not been too bad. I might state I met with producers and feeders 2 weeks ago in Kansas City. Among the statements that were made at that time was one that even though you try to put a wider spread for the feeder, there was no assurance that the man who did the feeding would receive that.

They said—and this was an opinion of the committee—that the higher price put on the feed animals would probably be reflected in a higher price for the initial feeding animals. Meaning the spread would be narrower.

An example of that would be our action that we took on January 29 of this year. We put an extra dollar subsidy on Choice cattle and raised the maximum prices to producers by a dollar, and yet, the spread is narrower now than it was before that action, partially because the feeders are bidding up the feeder animals, and partially because they have active competition from the slaughter for the same animals.

Mr. BUFFETT. Will you yield, Miss Sumner?

Miss SUMNER. Yes.

Mr. BUFFETT. Has the O. P. A. done anything to stop the competition by the packers for the lightweight animals?

Mr. ERICKSON. No, we have not, except insofar as changing the spreads and subsidies on the different grades is concerned. We have changed those subsidies in order to widen the spread and make the lower grade animals a little less attractive to the slaughterer and the high-grade animals more attractive to him.

Mr. BUFFETT. Have you made those high-grade animals enough less attractive so that you stop that competition or not?

Mr. ERICKSON. No, we have not; of course, there is a limit to how far you can go on that, because the initial producer is very much concerned in the price he receives, and he wants, of course, some competition for those animals from the slaughterer.

Mr. BUFFETT. Well, there is plenty of competition right now.

Mr. ERICKSON. There is.

Mr. MONRONEY. Is there any ceiling on the price that a farmer sells a feeder animal for—

Mr. ERICKSON. There is no ceiling whatever.

Mr. MONRONEY. That is, I think, where your spread has been reduced. There is no way of ceiling that sale by a farmer to a feeder?

Mr. BUFFETT. Absolutely. The trouble is the feeders have competition from the packers. They can do that with subsidies.

Mr. MONRONEY. Yes; and the only control you have against upgrading is on the subsidy; is it not?

Mr. ERICKSON. That is right.

Mr. MONRONEY. In other words, if a man upgrades, or takes a greater proportion of Choice than the average, then he loses some of his subsidy, but many, many packers—and I think that is where a lot of your meat gets into the black market—small independent packers are going about the subsidy and in that way bidding up the market in the livestock yards to get a bigger supply which must some way find its way in the commercial channels at a black-market price, otherwise they could not possibly make this low-grade animal that they have bid up to Choice pay out.

Mr. ERICKSON. I think that is essentially correct.

Mr. MONRONEY. Well, can you not do something about that? Put them on some system where the historic allotment in the livestock market would prevail to avoid it? In other words, we prevent bidding up the market in almost every line, and yet we move into the livestock field and it is still done largely because of the exigencies of having to guess out the grade of an animal.

Mr. ERICKSON. That is right. It has been pretty difficult, of course, to try to devise any type of regulation to regulate the prices of cattle by grades because our grading is all done on the dressed carcass rather than on the live animal, chiefly because it is difficult to determine the grade of the live animal.

Mr. BROWNLEE. I think that is fundamental in this situation. The difference between meat control and many other price controls is because we cannot grade and put a ceiling on the live animal on the hoof. So, as I said this morning, no matter where we put this money, it generally goes back into raising the live animals, and, of course, raising the price of the live animal, and it raises it for the feeder and packer if they start bidding for it.

Mr. MONRONEY. This allocation that you mention in paragraph 9 holds the threat that if the livestock receipts are not equally divided on a historic, general pattern, that you will do something to relieve that.

Miss SUMNER. I do not think they feel that way, do they?

They tell me it would not make any difference whatever in the feeding of cattle. Do you really think this new program of yours will increase the cattle feeding any?

Mr. BROWNLEE. Of course, our difficulty is that when you have 7 bidders or 10 bidders or 5 bidders for every single animal, the tendency is to push them right up and it does that against the feeder just the same as it does against the competing packer and our problem is how do we keep the animal down that the feeder buys and give it a proper spread between the finished animal that he sells.

Miss SUMNER. It seems to me the answer to your problem—and when I say “me,” I mean all the cattle feeders I have talked this thing over with—is that you ought not to monkey with it. This is a failure, and historically, we would get people—we have got all the farms in the Midwest to raise cattle if you encourage them—and we would at least get some beef—everybody would not get beef but now everybody does not get beef—and when you put a program like this on, you just have people frightened and they are not going to have any more cattle fed. I do not see how you can expect to come out with this program at all.

Mr. BROWNLEE. Well, if we can do something by this quota situation as we feel we can, to take out this wild bidding in the market, we feel we will have a fair chance of maintaining this spread.

Miss SUMNER. I do not know how much the meat we eat here is black market. There is no way for us to tell, but——

Mr. GAMBLE. Do you want to know?

Miss SUMNER. At least we get some meat once in a while.

But as far as I can see, if you diminish this much more, we are not going to get any meat.

Mr. BROWNLEE. Of course, that assumes that it has been diminished beyond normal, whereas the figures show that the poundage slaughter is actually very considerably up since the beginning of the war

Miss SUMNER. Well, of course, you know there is an old saying in the law courts, that you can do anything with statistics if you have the right experts to prove it, but you cannot tell a farm girl that more cattle are being fed when you see all these empty lots; these farms do not raise cattle; nobody is raising cattle; and now the best man in my district says that he is going out. Well, who is going to raise it? We are not going to feed any cattle out where we come from at all.

And, incidentally, the committee might be interested in this paragraph, this man raises 1,400 cattle, 800 hog, and 400 sheep. That would qualify him as a feeder.

He says:

The amount of meat going into black markets does not amount to a tinker's darn anyhow. That is just a blind to hide behind to cover up their own bungling. The truth of the matter is, they have decided that holding the line and regimentation is more important than food so we have a short supply of food and incidentally will get a lot shorter before it gets better. The No. 1 job is for Congress to point out this to the world * * * the better and more quickly we can get back where we can afford to produce food for the Army and Navy and civilians.

That is his opinion and he used to be a red-hot New Dealer, I might add.

Mr. OUTLAND. Would you yield at that point?

Miss SUMNER. Yes.

Mr. OUTLAND. I am trying to follow just exactly what you are trying to develop as an alternative. Would you remove all price control from meat?

Miss SUMNER. I am not an expert on this thing, Mr. Outland, but I know that we are going to have less and less meat as long as they do not get differentials. The differential there, and I think the alternative is, to take it off if they do not fix it so they get a differential.

Mr. OUTLAND. In other words, your answer is that you would take it off?

Miss SUMNER. Yes, preferably to any farm program they have brought since for it.

Mr. OUTLAND. Thank you.

Mr. BUFFETT. Will you yield?

Miss SUMNER. Yes.

Mr. BUFFETT. I think the point you are trying to bring out is simply this: that out of the miffing of this hog deal and other meat deals, the farmers have lost confidence in the operations of the W. F. A. and O. P. A. and you want to see some measures taken to regain their confidence so that they can turn out the cattle and hogs?

Miss SUMNER. And get the food, yes.

You see, they do not know what to believe any more. They have had their floors on their hogs, as you remember, and they took them off, and put something else on; and even if the O. P. A. brought out a good program today, farmers would not know whether it would stick. They would hesitate to start feeding, although I think they really would if they had come out and said "we are going to take it off and leave it free" or fix some program where they were sure to get their differential, I think we would have feeding beginning again this fall. But, as it looks to me, it is another year without feeding.

You do not honestly think there is very much black market around the middle western farming communities, do you?

Mr. BROWNLEE. I frankly do not know.

Miss SUMNER. I do not have any information on that one way or the other. I have not heard anybody discuss the black market out there; I have not heard any complaints about it.

Mr. BROWNLEE. I just cannot answer that, Miss Sumner.

Miss SUMNER. My only opinion on that would be that I did practice law for 5 years, and I have practiced law in the city, and it has always struck me that the farming people were extremely careful about not violating the law, particularly the laws made by the Federal Government. I do not recall ever having found clients who deliberately violated the law of the Federal Government.

I do know that they all claim now that the O. P. A. regulations are encouraging law violations and they do not like it.

Mr. MONRONEY. Is it not natural for the black market to occur where the shortage area is the greatest?

Miss SUMNER. Well, that is what Mr. Wolcott was talking about. Our people were not able to get their red points' value in beef when I was home. I know we had some stuff but not beef.

Mr. GAMBLE. Will you yield?

Miss SUMNER. Yes.

Mr. GAMBLE. Just as a matter of information, carrying out your thought, did not the consumption of meat increase materially after you took off point values last summer and fall?

Mr. ERICKSON. No; I do not think there was any change in it, and I cannot speak on this subject, because I am in the Price Division and I am not too well acquainted with what occurred, but, as I recall the figures, there was no change after the removal of the points.

Mr. GAMBLE. I would be interested in that.

Miss SUMNER. Does not that indicate that there would not be such a rush to the markets?

Mr. ERICKSON. You understand, of course, the points were taken off in a gradual way. They took them off certain cuts and then down to a point where there were only the choicer grades left on the rationing list.

Miss SUMNER. I have not any information, but I would like to get the truth. I have had complaints with respect to it—it does not take any wit to know what is going to happen—people are not going to can corn and freeze and try to save meat for the future, if they think the Government is going to go into their locker boxes and make them give up what they can, and save.

Have you any explanation of that?

Mr. ERICKSON. No; I cannot tell you about that program. I do not know that the Rationing Division has been quite concerned about violations of rationing points on meat which is put into lockers. There is no intent, of course, to prevent people from having animals slaughtered for their own lockers, provided that they are in observance of the rationing regulations. I cannot give you any more detail than that, Miss SUMNER. I just do not know their program.

Miss SUMNER. Well, I mean, you do agree, do you not, that that can operate a threat that will prevent housewives canning and fixing meat and all the rest of it if they think they are going to have their lockers invaded?

Mr. ERICKSON. No; there is no intent to curtail production of canned goods.

The only place where the Rationing Division has been concerned is where a person goes out into the country, buys an animal, has it custom slaughtered, and puts the meat into the lockers, or where they go to a butcher and say, "I would like to buy so much meat and you put it in my locker for me so I can take it out as I need the meat," and that is without points. That is what they are concerned about. As long as the points are surrendered they have no reluctance to permit that to continue, in O. P. A.

Mr. GAMBLE. Well, do you have the right to go into some of these lockers?

Miss SUMNER. Without a search warrant?

Mr. ERICKSON. I cannot answer that.

Mr. GAMBLE. Mr. Field, can you answer that? You have no authority under the present law to go into somebody's locker and open it, have you, without a search warrant?

Mr. FIELD. I should assume not.

Mr. GAMBLE. I did not think so.

Miss SUMNER. Well, as I understand, that was during the recess when I was not here, but they said they were going into the lockers.

Mr. PATMAN. That is not contemplated at all?

Mr. FIELD. I have no knowledge that it is.

Miss SUMNER. Who would have knowledge?

Mr. PATMAN. He would. He is their general counsel.

Mr. GAMBLE. I had not heard anything of that.

Miss SUMNER. It came from a man who came all the way down from Illinois and went in to see my secretary.

Mr. PATMAN. That is just loose talk.

Miss SUMNER. You do not pay a man's way down here from Illinois just for loose talk.

Mr. PATMAN. It depends on the man.

Mr. FIELD. I would be very glad to look into it and let you know what the situation is.

Miss SUMNER. All right. Thank you.

Mr. BROWN. Mr. Monroney, do you have a question?

Mr. MONRONEY. Going back to this business of keeping a historic distribution channel open, I come from a cattle country, and I find that the meat supply in the small communities is rather adequate compared with places in larger centers, even in Oklahoma, and then as we get farther removed from production, it gets less and less.

Do you have any statistics on the increase of these small community slaughterhouses?

Mr. ERICKSON. Well, the War Food Administration, of course, has been issuing licenses, and they would have a complete record of who they have given these permits to and where they are located. Those have not been transferred over to O. P. A. yet, and so we do not have the statistics on where they are located.

Mr. MONRONEY. Would not the statistics of their slaughter, and their increase over a period of 1, or 2, or 3 years indicate pretty much what has happened to the maldistribution of beef? Because, ordinarily, I know from my own experience the animals raised within a hundred miles' radius of Oklahoma City largely went into the Oklahoma City livestock market and were killed there by your federally inspected plants and shipped out and even shipped back to these little communities. Today, why, I presume they are still drawing on the Oklahoma City packing plants plus the greatly increased production of the small slaughterhouses that used to not be able to compete with Wilson or Armour beef.

Mr. ERICKSON. Well, we are certain that is correct, but we do not have the exact figures yet.

Mr. MONRONEY. It would seem to me that your place to look for your shortage is right in that line, as to what happens after the animal leaves the farm and which market it goes to, whether it goes to the little private market in the locality or whether it does find its way into a major livestock market.

Mr. ERICKSON. Yes, I am certain that is correct.

Mr. MONRONEY. And I do not see yet, even in your paragraph 9, how you are going to approach the thing that I think is at the basis for your meat shortage, that is your maldistribution—I do not mean shortage, because I think there is probably about the same amount in the country—but it is a question of having more in one place and none in another.

Mr. ERICKSON. Of course, that is largely covered in our points, I think, 5 and 3, on control of local slaughter.

Mr. MONRONEY. Are they on last year's allocation basis?

Mr. ERICKSON. That is right. So it is those small local plants which will have the slaughter controlled under this proposal, in our program.

Mr. BROWNLEE. They are on last year's allocation basis of the legitimate ration points they turned back to us.

Mr. MONRONEY. I see. So you figure that will have a big bearing on eliminating the black market, or the failure to collect coupons on what they have?

Mr. BROWNLEE. We would think so; that would mean that the part of the slaughter that they sent in to black market without the coupons would obviously not entitle them to a quota on that part of it. We should think that would be a very definite blow at the black market.

Mr. MONRONEY. Going back to the so-called alleged bungling of the hog program, as I recall it, it was largely the shortage of feed for dairy animals and even for beef that caused the cut-back on the pork program. We had increased the head on the farms of pork much faster than we had increased our feed production.

Mr. ERICKSON. Yes, that is correct. We had a very favorable hog-corn ratio during 1943. It reached one of the highest points in the last several years. Consequently, your production of hogs increased very substantially. There was an abundance of feed at that

time, too; because of our ever-normal granary, we had accumulated a lot of feed prior to 1943, and the hog production got very high and exceeded the available feed in 1944, and, consequently, it was necessary for the producers to cut back.

Another factor, of course, was that because of the abundance of hogs, the price went down, considerably below our ceilings and stayed at that low point for a period of about 8 months and with the low price for hogs and the nonavailability of feed, the farmers did cut back rather substantially.

Mr. THOM. What was that low price? How much?

Mr. ERICKSON. Well, the floor price, of course, was \$13.75 during that period; a lot of the hogs waited around for marketing and exceeded the weight limitation for the support floor and fell below that level. I think that they went down as low as an average—in June—I think that was the lowest month last year—went down to a price of around about \$13.

Mr. THOM. I can remember when they went down to 4 cents.

Mr. ERICKSON. I am speaking of an average price.

Mr. MONRONEY. Going back to this business of the number of slaughterers bidding for a limited number of head of livestock in the market, is there any possibility for O. P. A. to sit down with these livestock people and talk to them and tell them how they are actually bidding up this price and what they are doing to themselves? I talked long distance about half an hour to one small independent packer in my community and he said he recognizes that that is what the slaughterers are doing to each other, and yet because of the demand for beef and meat products, everybody is in the market trying to outbid the other fellow, and, as a result, you are paying choice prices for low-grade animals, hitting the ceiling all the time, and then finding your slaughterers in a squeeze.

It would seem to me that O. P. A. surely should give some attention to the market itself, because that is one of the key spots on your beef situation.

Mr. BROWNLEE. We have talked to them many times. We rarely have a meeting of the packers that we do not say to them that "What is actually happening is you are bidding your own supply out of bounds. Can you not do something about it," and the answer is always: "No, if I do not get them, somebody else takes them away from me." I think we have received no other answer at any time.

Mr. MONRONEY. It would seem to me like sooner or later then, if you are going to let this bidding determine who gets the most head on the limited livestock run, you are going to be right against your ceiling on every kind of animal available.

Mr. BROWNLEE. That is why we have consistently recommended that something be done for the past 2½ years. We have recommended that there should be some program to, in some way, quota these cattle when the market is tight, and it was only last week that we were given the power to do that, and we think this quota situation will be a very definite help.

Mr. MONRONEY. When will that quota system start to work? It is still just a threat, as I understand it.

Mr. BROWNLEE. No, the quota system will go in rather promptly. The question of allocation between federally inspected slaughterers—we were instructed to work out a plan to do that, if it became necessary, to keep these cattle from breaking our stabilization ranges.

Mr. MONRONFY. But you have got many, many markets where you not only have your Federal-inspected slaughterers but you have your non-Federal-inspected slaughterers bidding in the same market.

In this press release, I do not see any way that you are going to get those two together, so that we have both of them operating in the same market.

Mr. BROWNLEE. No, we were told to immediately put into effect a quota situation as to the non-federally inspected slaughterers. We were told to prepare a plan to allocate slaughter fairly among the federally inspected slaughterers if it became necessary.

Mr. MONRONEY. But what I mean, you have got your non-federally inspected; you put a quota on him. That does not mean he can get it. That means he cannot kill more than that quota.

Mr. BROWNLEE. That is right.

Mr. MONRONEY. Then you are going to split the market up for your federally inspected ones and give them a definite allocation.

Now, what is going to happen to your smaller noninspected plants that are working in that same market? They are entitled to a part of that quota, on some kind of a historic basis?

Mr. BROWNLEE. Yes; well that is our intention, of course, to put the quota on a historic basis.

Mr. MONRONEY. Well, the release shows only a historic allocation with the federally inspected plants and ignoring the market where it got the meat.

Mr. ERICKSON. You see what actually would occur, we would put a quota on the nonfederally inspected plants. Now, they will obtain cattle up to that point.

Mr. MONRONEY. That means they will if they can. That does not mean they will. They do not have an allocation.

Mr. ERICKSON. That is true, but it is quite certain that they will be able to obtain that number of livestock because they are already obtaining many more than that number.

Mr. MONRONEY. By bidding up the price on cattle in a limited market?

Mr. ERICKSON. That is right.

Mr. MONRONEY. And it will still be bidding up the price.

Mr. ERICKSON. Well, I would question whether they would be as effective in the market, in making the market, when you cut them back, as they are at the present time.

Then, by allocating the rest of the supply among the federally inspected plants, if that becomes necessary, it should remove the strain from our ceilings.

Mr. MONRONEY. I think if you are going to put a market on allocations you should surely put the allocation clear across the board to your nonfederally inspected as well as your federally inspected plants.

They already get a number of breaks in any livestock market. They get the right to clean up the market after the others come in.

Mr. ERICKSON. Well, of course, we feel that that is unnecessary if we put a fairly tight quota on the nonfederally inspected.

It would be quite difficult to allocate your total supply of livestock among all of your slaughterers.

I think the figure on commercial permits that are outstanding at the present time is around 26,000. We have only about 500 federally inspected plants. We feel the job could be handled among the 500, but it would be almost impossible to administer among the 26,000.

Mr. MONRONEY. You do not want to drive those out of business, do you?

Mr. ERICKSON. They would not necessarily go out of business. I think they would definitely be able to obtain their total supply at prices no higher than what the federally inspected plants have to pay.

Now, that may be the ceiling price.

Mr. MONRONEY. I would think probably that if you cut out of your market, first, that allocation for your federally inspected plants, then you are going to have even more spirited bidding, and difficulty among the cattle that are left for these independents to reach their quotas.

Mr. BROWNLEE. Of course, their quotas will be considerably less than that they are getting at the present time, and we would think that that would lighten the pressure on these ceilings. If it does not, then I think we will be forced into submitting to the Director of Economic Stabilization a plan for allocating also to the federally inspected slaughterers.

Mr. MONRONEY. It seems to me like your historic basis of your ration points, how many during a certain period of time a man took in, should be the basis, if you go in an allocation plan, whether he is federally inspected or not.

Mr. ERICKSON. I think I probably could explain that point this way, that after we put their quotas on the nonfederally inspected plants, this allocation to the inspected plants would also be a type of quota on them. The only difference in the type of quota would be that it would be flexible and change as the livestock production changed. It might be what you would call a floating quota, which would change from week to week if necessary in order that all of the cattle could come to the market or all of the hogs that come to market could actually be purchased and would not have to wait around for a subsequent period before they could be slaughtered.

Mr. MONRONEY. I am not unmindful of the terrific difficulties that face any meat distribution and slaughter clear on back. It is the toughest problem, I think, in price control.

It has got to move; it is perishable, has to move rapidly; it has a different pattern of distribution from any other commodity and the ability to grade it out is dependent on what is in the buyer's head when he sees the live animal.

It seems to me that you must have some men watching these major livestock markets. There are not too many of them, and I think that even the presence there of a few men in checking and keeping records on what is being paid, over ceiling prices, on animals that are obviously not worth the grade that is being paid, would help to clean up chaotic situations.

Mr. ERICKSON. I might point out that enforcement division is setting up a system for watching those markets quite closely to determine who buys the cattle, where they are going, and the prices paid.

Mr. BUFFETT. Will the gentleman yield?

Mr. MONRONEY. Yes.

Mr. BUFFETT. Is it not true that where cattle are purchased and overgraded by the slaughterer that the subsidy is not paid?

Mr. ERICKSON. Oh, the subsidy is paid to them; yes.

Mr. MONRONEY. It is not paid though if they overgrade. The point I made a while ago is by ignoring the subsidy they can mix up

the market all they want to and then it is almost obvious that a lot of this must find its way into black market so that the slaughterer can break even, and so you break a hole through price-control machinery right there.

That is all, Mr. Chairman.

The CHAIRMAN. Dr. Smith, do you have a question?

Mr. SMITH. Mr. Brownlee, you say production is up 35 percent on what it was before the war started; is that right?

Mr. BROWNLEE. That is correct, Dr. Smith, according to the Department of Agriculture figures.

Mr. SMITH. Meat production, that is.

Mr. BROWNLEE. Yes, sir.

Mr. SMITH. And it was up last year how much?

Mr. BROWNLEE. Fifty-three percent, I believe, last year, and it will be 35 percent up this year.

Mr. SMITH. I am wondering, it seems that you are giving the impression that Government effort is responsible for this increase. Do you believe that?

Mr. BROWNLEE. Well, we have never taken the position, I think, Dr. Smith, that price control has increased production. What we have said is that we do not believe price control has impeded production, and that is our constant aim, to so regulate our price that we do not impede production.

We have never tried to take the credit for this. We think the farmer has done a magnificent job and done it himself, but we do think that we have stood out of his way in general and let him produce.

Mr. SMITH. That is the question that I would like to raise; it was raised by Miss Sumner. The increased production of cattle on the farm from 1914 to 1918, with no such program as we have at the present time, was 18 percent.

Now, there have been a lot of changes in methods of production, so that the actual potential capacity and actual capacity of farm production has, as you know, been greatly increased. For example, in 1914, figures show that something like 15,000 tractors were sold in this country, whereas in 1937, figures show that 272,439 tractors were sold.

Certainly, that change would have a material effect upon the increasing of the capacity for crop production.

In addition, there has been a shift as there has been a change in the amount of acreage brought into production as a result of shifting from horsepower to tractor power amounting to, I am informed, by the Department of Agriculture, 50,000,000 acres. That is a lot of land out of a total of three hundred and sixty to three hundred and eighty million. That alone would account for 15 percent of your increase.

Taking the 15 percent that was attained during the other war period, plus this, would be 30 percent.

So you have eliminated 30 percent there from your 35.

Now, in addition, there has been an increase of about 85 percent of fertilizer use, since the start of the war, so I am informed by the Agriculture Department, which is equivalent to an additional 20,000,000 acres, which would give us another 5 percent.

Mr. BROWN. Most of the fertilizer is in the South, where they do not raise very much beef, you know.

Mr. SMITH. Yes; I know that is correct. Understand, Mr. Brown, I am not trying to draw an absolute parallel here, but I am trying to present some statistics which I think are valuable in considering this particular problem.

Now, it is a question in my mind—it has been reduced from 53 percent to 35 percent, and I am of the opinion that when all these factors are taken into consideration, that it is very doubtful that your proposition stands on good ground.

Mr. BROWNLEE. Well, I think, Dr. Smith, that I would not want the committee to feel that price control was trying to take credit for the production of the farmer. We think he has done a magnificent job.

All that we have said is we feel we have stood aside in price and have not put any impediment into his production.

We are not trying to take credit for the fact that he has produced.

Mr. SMITH. Of course, it is true that your price regulations related to various other procedures, so that it is not altogether a question of a price regulation in itself.

Mr. BROWNLEE. That is right.

Mr. SMITH. I happen to do some farming myself, and I know what happened to me individually. We took hogs to the market and were told to take them back home—that we could not sell them at that particular time. We fed some pretty expensive corn into those hogs, and when the thing was over, we discovered we had a substantial loss. I am not complaining individually, because I know there is a war on, and I am perfectly willing to go along with all those inconveniences and even losses. That does not concern me from a personal standpoint. But I do believe that, everything taken into consideration, the restrictions of the O. P. A. have resulted in decreasing production, and I base that more on what I myself have experienced and also on what the farmers surrounding my community have experienced.

I am not saying this in too critical a way, because I know you have a job to do, and I want you to know that I appreciate that. But, nevertheless, this matter of regulating prices, controlling prices on farm commodities, and one thing or another, one has merely to read what happened in Russia as a result of that.

You would have to read what has happened in the past due to these interferences.

Take France, for instance, in 1789, when they put on regulations of this kind, they caused serious trouble.

So I merely raise this question at the present time, with the hope that everything will be done to free the farmer from these restrictions and permit him to produce, rather than confine him to certain programs which result in a decrease in production.

Mr. BROWNLEE. I can assure you, sir, that none of us takes this price-control job lightly. None of us likes doing things which get into the lives of the American public.

On the other hand, we do think that we have recognized the need for production; we think as far as it is possible we have stood aside for production.

For instance, on this hog situation you spoke of, the difficulty there was not price ceilings but the fact that the hogs were being bid in away below price ceilings, and it is hard for me to feel that the agency should assume the blame.

Mr. SMITH. I did not get that statement—far below what?

Mr. BROWNLEE. Far below our price ceilings. When these hogs moved, they were sold very cheaply, and they should have sold up a good deal higher. What happened was the run of hogs was so heavy that it swamped the facilities of the slaughterer, and he did not pay anything like the ceiling they have for it.

Mr. BUFFETT. Was it not true in that same instance that the floor that the W. F. A. set was so limited in its scope that, in the natural course of events, a lot of hogs were beyond it or below it, so the floor did not protect the farmer as the W. F. A. had told the farmers it would?

Mr. BROWNLEE. You mean as to weight, sir?

Mr. BUFFETT. Yes.

Mr. BROWNLEE. I would rather have them answer that question. I understand that is what happened, however.

Mr. BUFFETT. Yes, sir. Of course, that is part of this problem.

Mr. BROWNLEE. Yes, sir.

Mr. SMITH. Of course, Mr. Brownlee, it does not help us very much to say that the trouble was so-and-so. The fact was that we had the hogs. The fact was, we fed this expensive corn into these hogs, and then we were docked a certain amount on top of that because they were overweight; and we felt, and I feel, that a little less interference perhaps would have avoided that. Supply and demand is still a factor, I think, in this world.

Mr. BROWNLEE. I agree with that, but I suspect that was purely at the time a question of the price you got for the hog and the question of the slaughterer's demand.

The slaughterers were unable to slaughter all the hogs, and they consequently dropped the price they bid for the hogs.

Mr. SMITH. They would not take them at any price.

Mr. BROWNLEE. Well, as I understand it, the hog slaughter ran up to top proportions at that time—higher than ever before—and they just could not take any more.

Mr. SMITH. That is all.

The CHAIRMAN. Mr. Folger, do you have any questions?

Mr. FOLGER. Yes. Mr. Brownlee, do we understand that now, at this very time, there is actually a rather serious shortage of meat, pork, and beef, in the country?

Mr. BROWNLEE. We think there certainly is a shortage of total meat. Of course, the greatest shortage you have is this decline in the hog slaughter, so pork is very short. The current records show—and I think that they are official records—that the run of beef for slaughter has been greater in the past 3 months than it has ever been before in a comparative 3 months.

However, the fact that the pork supply is down so greatly, plus the fact that there is a very heavy take by the Government procurement agencies, produces the net result, I think we would all agree, of a short supply for the civilian population—very short.

Mr. FOLGER. So it is not altogether the question of distribution, getting the meat where it is worse needed, but there is really a shortage?

Mr. BROWNLEE. Yes, sir; I think we can help this situation in the most aggravated spots by correcting some of the maldistribution, but certainly we have no feeling that there is going to be all the meat

the people want to buy, even if you correct those maldistribution situations.

Mr. FOLGER. I was just wondering, since Argentina has at a late date manifested a different attitude toward our folks, if we might get a little meat from that source, so as to relieve this acute shortage?

Mr. BROWNLEE. I do not know too much about it, sir, but I understand Britain is taking a great deal of the Argentine meat.

Mr. BRUMBAUGH. Will you yield, Mr. Folger?

I have checked the price that Britain is paying; it is 4½ cents a pound at the present time in Argentina, and they are paying 2½ cents a pound on the hoof, the packers, so that might be a good source of supply for us.

Mr. FOLGER. I was thinking of it as a rather temporary solution at a crucial time.

Mr. Brownlee, there is one question I have been presenting every once in awhile, and that is this—the subsidy payment on hard and soft wheat.

I understood from a gentleman whose name I do not recall that there was no difference made now in the wheat—that it is the same for soft wheat as for hard wheat.

What is that situation?

Mr. BROWNLEE. I think, Mr. Heflebauer knows more than I do about that.

Mr. FOLGER. Were you the gentleman who discussed this with me?

Mr. HEFLEBAUER. I do not know, sir, whether I discussed it with you, but it has changed since the 1st of January, so there are only two rates on wheat at the present time, one rate east of the Rocky Mountains and one rate west of the Rocky Mountains.

Previously, there had been three rates east of the Rocky Mountains; one on soft wheat, one on hard wheat, and one on Durham, and now all those three are averaged together, and there is one rate on all types of wheat east of the Rockies.

Mr. FOLGER. Is it your thought that that will remain?

Mr. HEFLEBAUER. There is no expectation of changing it, sir.

Mr. FOLGER. A gentleman has been down here for months about this matter; and he said, as a practical thing, a man would drive up to his mill and, prior to January, want to sell some soft wheat, and he would say: "No; I cannot buy that; I have to use hard wheat. The subsidy payments are different. I am sorry."

Mr. HEFLEBAUER. Well, the difference in subsidy rate at that time corresponded to the difference in the prices of the two kinds of wheat. The kind of wheat which was highest had the highest subsidy rate, and the kind that was lowest in the market had the lowest subsidy rate. However, they have developed some geographical difficulties that the millers felt could best be solved by having a single subsidy rate on all kinds of wheat.

Mr. BROWN. What is the difference in the value between soft wheat and hard wheat?

Mr. HEFLEBAUER. The difference lies chiefly in the protein content. The hard wheat makes the flours used for biscuits, pastries, and so on.

The CHAIRMAN. You do not contemplate making any change in the preset regulations, do you?

Mr. HEFLEBAUER. No, sir.

Mr. FOLGER. I think it is recognized that the other difference you make is justified; that is, for west of the Rocky Mountains.

Mr. HEFLEBAUER. That is right, sir.

Mr. FOLGER. That is all.

The CHAIRMAN. Mr. Sundstrom, any questions?

Mr. SUNDSTROM. Mr. Brownlee, I think you know I have been interested in this thing for some time. I want you to know exactly the way I feel about it—that I have always had a very cooperative attitude in an effort to see if we could not help this situation and not just be critical.

I have had quite a lot of experience with a lot of men in the business whose judgment I respect and who have looked over the rules and regulations.

I know last December, when the shortage first became acute, we came to you people and certain new rules and regulations were put into effect which we did not think would work, but through my efforts and those of others, we avoided any meat holidays, as they call it, up in my section of the country, and they played along and tried it, and it did not work.

Now, you come out with a new set of rules and regulations.

I want to know who got these rules and regulations up? Did the O. P. A., or did Davis, or did the War Food Administration?

Mr. BROWNLEE. They were gotten up after consultation with many members of the industry, with W. F. A., with the Army, and then submitted, as to the points of variance, to the Director of Economic Stabilization, who decided on the final program.

Mr. SUNDSTROM. Who actually did it, the O. P. A., then?

Mr. BROWNLEE. Yes; this was our recommendation, and some parts of it were not allowed, some were changed a little bit, and many of them were taken as we recommended.

Mr. SUNDSTROM. I ask that question because on Monday, when the release came out, I talked to Mr. Davis' office, and they had not even studied the regulations yet and could not give me an answer, and I thought it was a little peculiar to have regulations issued and not have given them any study so as to give me an answer on them.

Mr. BROWNLEE. Well, I do not know which member of the staff there told you that. We sat with Mr. Davis for, I think, 3 complete afternoons on them; along with the War Food Administration and with the Army, that is.

Mr. SUNDSTROM. Let me ask you one further question along that line: Did you consult with any of the small slaughterers and independents, and maybe the nonfederally inspected, as to the program before you wrote it up?

Mr. BROWNLEE. We have consulted with them pretty constantly. I think probably Mr. Erickson can tell you just what the consultation on this particular program was.

Mr. ERICKSON. We did meet with a large group of people from the industry about 3 weeks ago on this program. There were people from the East and—well, from all parts of the industry. We had retailers, slaughterers, wholesalers, and some producers present; when we discussed this program, that is.

Mr. SUNDSTROM. The reason why I ask that question is that the men in the business told me on Monday and again yesterday, in New

York City, before the Food Study Committee, which was set up by this Congress, that they thought this entire program was unrealistic, and that if it was enforced strictly that it would mean less meat supply rather than more meat supply.

Mr. BROWNLEE. Of course, the program is a very considerable liberalization of any provision we have had in the past as to price.

Now, the only more stringent situation put into this new program is, of course, this question of trying to direct the slaughter into the channels where it is most needed.

Mr. SUNDSTROM. Well a man who has been in the business all his life, and his family before him, told me yesterday that this price structure is so set up that a legitimate slaughterer would either have to operate in the black or else be in the red. That is what he told me yesterday.

Mr. BROWNLEE. That would be very surprising to us, Mr. Sundstrom.

Mr. SUNDSTROM. He said that he felt as though even with the subsidy program that you have, they were still going to find themselves two and a half to four cents short.

Mr. BROWNLEE. In justification of the agency's study of this situation, the records of the packing industry show that they were in very favorable positions in 1942, 1943, and 1944. What we have tried to do was adjust this program for the added levels of cattle prices, and we think the program is looser than it was last year, even considering those prices. We think we have gone further than the cattle price would actually justify.

Mr. SUNDSTROM. Now, do I understand that, starting May 1, the O. P. A. is going to have all the say with subsidies and the War Food Administration is going to have nothing to say about them? Subsidies to the slaughterers, that is?

Mr. BROWNLEE. Well, starting with May 1, we were instructed to take over the quota, and the licensing situation. I think, otherwise, there was no further delegation. The situation is not in any other way changed after May 1 than it was before that time.

Mr. SUNDSTROM. When they want subsidy payments—

Mr. BROWNLEE. They go to R. F. C.

Mr. SUNDSTROM. No; they go to War Food Administration for approval; do they not?

Mr. ERICKSON. No; they report directly to the Defense Supplies and receive their subsidy directly from them.

Mr. SUNDSTROM. When they did not get their subsidies they always had to go to War Food to get them approved, either for the set-asides, or for something else. There are so many regulations that the majority of slaughterers cannot collect the subsidies anyway, and every time we get into an argument as to payment and cannot collect the payment, I know I have been down to War Food many times to try to collect the subsidies for these slaughterers and they are the fellows that turn me down, and have the final word.

Mr. ERICKSON. I wonder if what you are referring to is not a recent order that has been out, I guess, for 3 or 5 months, issued by War Food and Defense Supplies Corporation, which restricted the amount of subsidy which a nonfederally inspected plant could receive.

Now, in several cases, where a person could not receive a subsidy because they had not made reports last year, or because he felt that

there should be an adjustment in his quota, the approval had to be received from War Food Administration.

Mr. SUNDSTROM. You know, because you have been at hearings with me, what happens on a subsidy program. The fellows operate, and due to circumstances which they cannot foresee, they cannot live up to the regulations for this in order to collect the subsidy. So therefore they operate at a loss. You and I know that when a man starts to operate his business at a loss, that is when temptation of a black market comes before him. I claim that subsidies are all right if they would only pay them to the people that are entitled to them. But they make it so complicated you cannot collect.

Mr. BROWNLEE. We would ordinarily think that was right. We were surprised to find last year in Los Angeles, in their markets, when prices were very profitable, one of the worst black markets. There might be some justification when a man is in trouble, but that was not the case.

Mr. SUNDSTROM. Well, you know yesterday, before the food committee in New York, the retailers, wholesalers, practically everybody, admitted publicly that practically 95 percent of the men were in the black market.

Mr. BROWNLEE. I did not know that that was the testimony yesterday in New York.

Mr. SUNDSTROM. Yes. Let me ask you this: Do you people believe that the armed forces are getting all the meat they want today?

Mr. BROWNLEE. We only know what they say to us. They say they are having trouble with their procurement. They have not told us they were not getting the meat they needed. No, sir. I think that expresses their statements—it certainly expresses their statements to me—that it is difficult for them, but they are getting what they require.

Mr. SUNDSTROM. In other words, the argument at this time that we have got to give the armed forces more supplies is no argument, because we are giving them everything they want? They may have a little difficulty getting it, but they are getting it.

Mr. BROWNLEE. That is our understanding, sir.

Mr. SUNDSTROM. I just wanted to be sure that was clear. Let me ask this: What is the estimate of the amount of meat that the nonfederally inspected plants account for?

Mr. ERICKSON. They run around 35 percent of the total.

Mr. SUNDSTROM. This morning, Mr. Madigan said here that these new regulations were going to probably drive more of the nonfederally inspected plants to become federally inspected.

Mr. BROWNLEE. We hope so.

Mr. SUNDSTROM. Well, I have gone over to the War Food Administration. It was just the other day, and I talked to Dr. Carson, head of the Licensing Bureau over there. He told me that there was very little likelihood that they would get any additional supply. He felt that every plant that could qualify today was already licensed federally. He told me that on Monday.

Mr. ERICKSON. There are several larger plants which now do not have Federal inspection, which we feel could probably obtain Federal inspection, with some modification of their facilities.

Mr. SUNDSTROM. Well, I asked him about that. I asked him just what they had to do, whether it was a structural situation, with the building, or whether it was something that would require a lot of

money, and he said that "I want you to know that everybody that can comply today is licensed." He also said, "Those that cannot, are going to have some extensive changes and they are going to have to go to the R. F. C. for money to make those changes." But I doubt very much, if, by the time they did that, whether the War Production Board would give them the critical material, and by the time they got through all those agencies, the situation would all be over.

Mr. ERICKSON. Of course, Mr. Sundstrom, we do have quite a few plants which have partial inspection.

Mr. SUNDSTROM. I know that.

Mr. ERICKSON. Wherein the Army veterinarians go into the plant and supervise the killing and that part could be substantially increased.

Mr. SUNDSTROM. That is particularly true on the beef, I know. But he told me very definitely on Monday that they would not in any way license any slaughterer that did not meet the minimum requirements.

Now, let me ask this: When we are talking about federally inspected and nonfederally inspected plants, is it fair to say that those that are nonfederally inspected go through a pretty rigid examination, through either city or State laws?

Mr. ERICKSON. In certain localities; yes, sir.

Mr. SUNDSTROM. Well, the majority of them?

Mr. ERICKSON. I could not answer the question too well, Mr. Sundstrom. I would think that in the large proportion, at least, they would.

Mr. SUNDSTROM. Well, you see, it is always true that food laws have been very stringent in this country, so we have never allowed, in recent years, anybody to slaughter meat without really strict inspection. I know in my State in particular that those that are nonfederally inspected are just as good in quality and character of meat, and practically the same as those federally inspected.

Mr. BROWNLEE. It has been testified to the Senate Agricultural Committee, by a packer, that the State of Pennsylvania had to ask for the withdrawal of licenses of, I think, 25 or 30, because they did not meet the standards of inspection.

Mr. BROWN. Mr. Sundstrom, most cities and towns have their inspection too, now.

Mr. SUNDSTROM. Sure. What I was driving at was this: Why could the Army not go to the nonfederally inspected slaughterer, and make him set aside the same as you do with the federally inspected and in that way, you would be accomplishing two or three things. In the first place, you would have more meat for the armed services. It would mean that you would have more meat left for the large packer, and they would not take such a big percentage from the large packers, therefore, you would have more for your civilian distribution.

Secondly, you would have a much better control of the entire meat situation because when you took your percentage set aside in every slaughter, you would know exactly how much meat went through that plant.

Mr. BROWNLEE. The Office of Economic Stabilization has instructed both the War Food and the Army to do everything possible to extend the number of plants from which the Army takes their meat.

Mr. SUNDSTROM. Personally, I think that that would be the solution, if you want control of how much beef is being slaughtered; because you know, and I know, when you have got the set-aside, they know exactly how much meat goes through that plant, and if you could just do that with the nonfederally inspected, you would have the complete control of all of them, and you would have more in the hands of the federally inspected and, therefore, a better control of the entire situation and much easier allocation.

I would just like to offer that as a suggestion to see if you could work it out that way. Because I think it is important. I know down my way I have a couple of thousand of nonfederally inspected plants, and I know in my own mind that a great many of them are in the black market today.

Mr. BROWNLEE. We agree entirely with your thought, sir, and such instructions have been given.

Mr. SUNDSTROM. There is no rule of the Army that says they cannot take the set-aside from a non federally inspected plant, is there?

Mr. BROWNLEE. They can take them on limited inspection, as I understand, which is what they are setting up in many non federally inspected plants.

Mr. SUNDSTROM. Do they? Now, I noticed here one of your points is you are going to have more enforcement agents. I am just a little afraid that the attitude of some of the enforcement agents has been to put a fellow out of business rather than keep him in business. I think the butchers or slaughterers want to do business legitimately, and if he goes around and tries to put in too many rules and regulations and too many cops on the corner watching him, then you are going to put people out of business because you are going to scare them to death.

If those enforcement agents have the right attitude, they might be able to do something to help. But I do not think if you got all the agents in the world that you could stop the black market, necessarily, by putting 10 people in jail. All you are going to do there is to help the little fellow who has no office or no overhead, and you are going to hurt the big legitimate packer who breaks a rule sometimes unconsciously, or at least unknowingly, because I know business today cannot operate without breaking some rule or regulation. I can go into almost every business today and show where they have violated some law and I am glad to see you are putting on more enforcement agents, but I hope you give them the right attitude.

Mr. BROWNLEE. Mr. Bowles is giving a great deal of personal attention to this, and I think he has exactly that feeling, sir.

Mr. SUNDSTROM. If they will try honestly, those enforcement agents, and those officers, to increase supplies, rather than try to scare people to death, well, we will get more meat. If they have the other attitude, we are going to get less meat.

Now, I want to ask one more question about feeders, because I have had a lot of discussion about that, and although I have no farms in my district, it seems to me that where we are missing the boat, and where we are losing an awful lot of our production—and I would not be surprised if this is the reason why our production is 35 percent more than last year—53 percent according to your figure.

Mr. BROWNLEE. The difference is entirely the hog slaughter.

Mr. SUNDSTROM. Well, that was a misjudgment on the part of War Food, thinking the war was going to end but I do not criticize

them for that. But is it not also true that, as a result of not giving the feeder the proper encouragement, that they have sent beef that are of less weight to the market? How do the cattle stack up, in weight, compared to what they had a year ago?

Mr. ERICKSON. They are down approximately 30 pounds. I think that is the correct figure. Somewhere in the neighborhood of about 30 pounds compared with 1941; 1941, of course, was a pretty good year.

Mr. BROWNLEE. About 3 to 4 percent, as I remember the figure.

Mr. SUNDSTROM. Of course, your recovery on a lower-weight animal is less than on a heavier animal. That might account to a great deal for your 53 to 35 percent on production and I just mention that because I think you ought to do everything in your power to encourage the feeders, because that seems to me to be the crux of the thing. If we want more meat, get the feeders to transfer or convert the corn into beef, and naturally by getting better beef, we get a bigger recovery and more meat per animal.

Mr. BROWNLEE. We agree with that entirely, and particularly in view of the last crop report which looks very favorable; we would want to do everything we can and we would appreciate anything you can suggest as to how to do it better than the way we have worked it out.

Mr. SUNDSTROM. Now, I think Mr. Madigan said this morning, along that line, about licensing, he said that they have practically been instructed that every slaughterer that asked for that could get it. I do not think he quite meant that, did he? That was in the record this morning, or at least I understood him to say that.

Mr. BROWNLEE. I know of no such instructions. I do not recall the remark, Mr. Sundstrom.

Mr. SUNDSTROM. I think what he meant was that anybody who lived up to the minimum requirements would get it, and I just want to correct that.

Mr. BROWNLEE. I would think so.

Mr. SUNDSTROM. Can you tell me why the federally inspected dropped from, I think he says from 65 to 50 percent this year, in the amount of meat going through those plants?

Mr. ERICKSON. It has not dropped that amount. What Mr. Madigan stated this morning, I believe, is that the amount of meat available for civilians, of the amount available for civilians, only 50 percent was produced by the federally inspected plants. Which means that the rest of the federally inspected plant production was going to Government agencies.

Mr. SUNDSTROM. Well, let me ask you, gentlemen, you ought to know because you are right in the middle of it: Do you think that we are operating our food program efficiently by having two or three agencies handle it or do you think it could be done better if we just had one food czar, and one department responsible?

Mr. BROWNLEE. Well, we think very, very definitely that it is terrifically difficult for a supply agency to also work in price. There are obviously counterbalancing influences at work, and we think that as it is now, with a situation where the agency that is responsible for production of course objects to a price situation, which would not be right, that you would have a better chance of keeping it in balance than if it were under one agency. Very definitely we feel that way. Regardless of whether we were the central agency or another agency, that is.

Mr. SUNDSTROM. I know what we ran into several months ago. We might get you sold on this, and then we could not get the War Food Administration sold on it.

Mr. BROWNLEE. What generally happens there is a disagreement between the agencies and it is taken to the Stabilization Office for final decision.

Mr. SUNDSTROM. And then what happened, was, we would not get a decision and so we all sat on pins and needles waiting to find out what was going to be done and almost had a food strike or meat strike in New York City. In fact, it was set for Christmas Eve, I think, and then it was postponed, and it just took a long time. I have been thinking right along that we ought to have one man responsible. He can have your two agencies under him—the price control and the supplies—but it seems to me that the set-asides for the Army and the civilians, and the price all work together, that one man ought to be responsible for it, so that when we have a situation, we can go to him and place the responsibility on him.

Mr. BROWNLEE. Of course, that would practically be close to what you have at the present time. You have War Food Administration, a production agency, O. P. A., price agency, and above them the Office of Economic Stabilization.

Mr. SUNDSTROM. I think you are going to find more and more that the attitude of the people in this country is that we ought to have a food czar and one man responsible for the entire program. I know—that the price situation is the most difficult, probably, of the food program, but we do not want to arrange a price program that is going to stop production, and I am afraid your whole set-up here is not going to increase the supplies, but decrease them.

Mr. BROWNLEE. Well, we of course feel that is not so. Certainly, the program is flexible. As we have told you, we want to review it frequently, and if there is any impediment in the situation, we want it changed, and we do not think, on the record, sir, that we have impeded production. Nor, do we think we will in the future.

Mr. ERICKSON. I might add, Mr. Sundstrom, that your cattle slaughter this year is expected to be somewhat higher than last year and last year it was at an all-time peak, as you know.

Mr. SUNDSTROM. Yes, I do.

Mr. ERICKSON. I think the War Food Administration stated that about 34,000,000 head were slaughtered last year, as against a peak prior to the war of about 29,000,000. It is expected to be even higher this year. All indications point toward an increased hog slaughter for next year. Farmers are holding back breeding stock. Prices for breeding stock are high, indicating that there is active bidding for them and all the indications point toward an increase in hog production, which will have the effect of beginning about in December.

Mr. SUNDSTROM. Do you think the over-all meat supply is going to be greater this year than last year?

Mr. ERICKSON. Oh, no.

Mr. SUNDSTROM. Just the kill of cattle?

Mr. ERICKSON. Cattle will be up this year over last year, but pork is way down. Pork is increasing again and I think we should begin seeing the effects of that in December.

Mr. SUNDSTROM. I think you will admit that this program is complicated and difficult.

Mr. BROWNLEE. Meat control is complicated and difficult unfortunately.

Mr. SUNDSTROM. I still go back to what I have said previously, which I have said privately and publicly, and that is with a big supply, and a big population, which we have, of cattle, I still think that you ought to try and arrange some way of putting the price right on the cattle on the hoof, and then if you could do that, you have got all your margins which are ample—everybody could operate.

If you are going to answer that, do not say that it is difficult and cannot be done, because I will tell you I do not think this program will work.

Mr. BROWNLEE. It is not our opinion that it is difficult and cannot be done. We have asked continuously of the industry to tell us how to put ceilings on cattle on the hoof. We have never been able to get from anyone, slaughterer, grower, or feeder, an answer to that. We agree with you thoroughly. We think if we could do it, it would solve most of our troubles in this program. Nobody has been able to tell us how to do it. We know we cannot find the answer.

Mr. SMITH. Will you yield?

Mr. SUNDSTROM. Yes.

Mr. SMITH. What is the reason they cannot tell you? It is because they do not know, and if they do not know, who in the world can know? They know that those things are only finally determined in the market. They have no way of knowing in my opinion.

Mr. SUNDSTROM. Well, certainly this program is not going to settle the problem and we have got to work something, where you have a big supply on one hand and a big demand on the other. There ought to be some way to work it out so as to channel the food through, so everybody could at least break even. Now, you have a very nice wording here about how you are going to prevent anybody from taking losses.

Mr. BROWNLEE. We think it is more than a wording, sir.

Mr. SUNDSTROM. Well, I say it is wording, because that is all I have even seen. I have read it. I do not know of anybody that has checked it yet. I have talked to the men about that particular program, and when I heard the testimony in New York yesterday that 90 percent of them are in the black market, certainly none are ever going to open their books to show you what they have done because as soon as they do, they go to jail and they are out of business.

Mr. BROWNLEE. All they have to do is get out of the black market now and open their books up from now on and they will be taken care of under the special subsidy.

Mr. SUNDSTROM. I say you better assure them you are not going to go snooping back for the past 6 months or a year, because otherwise they are not going to pay any particular attention to that particular section.

Mr. BROWNLEE. I agree with that, sir, but unfortunately if there are 95 percent in the black market, we have done too little snooping in the past.

Mr. SUNDSTROM. Well, maybe you have done too little snooping, but I will say this is not right and they should not be in it, and I would not defend them for being there, but I do know if we are going to stop them, we cannot say, "We will send you to jail first and after that you will not do it again," because after all what we are trying to do is increase meat supplies and not put men out of business.

You have got a terrific situation where there is a terrific demand. Why you know cows are selling as Choice cows out our way, and as soon as you buy that cow at a ceiling price, the black market is operating right there.

Mr. BROWNLEE. Of course, we think there is no excuse for a man to be in the black market, when it is a "heads I win; tails you lose" proposition, where the Government says to him—and I think it is the only case where it does—"If you will operate within the regulations, we will see that you do not lose money." And we are asking him to show his books from now on. This goes in as of May 1, and we are not asking him for his past books, but from now on we are.

We do not think we could conceivably put this proposal in except with a provision that it is applicable only when they are in conformance with the price regulations. I might say to you, that we feel we are not taking very much chance on that because we feel this program is so liberal that it can be operated without any great trouble by any efficient packer.

Mr. SUNDSTROM. Well, in conclusion, let me just say this: I am just delighted you have got a program. I am pleased to see that you have given it this much study. The only thing I want to be sure of is if, after this has been tried, if then it does not work, that you will be willing to admit it does not work, and give them some relief in order to help them increase supplies.

Mr. BROWNLEE. You certainly have that assurance, sir.

Mr. SUNDSTROM. Thank you.

The CHAIRMAN. Mr. Hays.

Mr. HAYS. No questions.

The CHAIRMAN. Mr. Buffett, do you have any questions?

Mr. BUFFETT. Mr. Brownlee, you talked a great deal here about inflation. Could you tell me what the O. P. A. definition of inflation is?

Mr. BROWNLEE. Well, it ought to be a fairly easy question. I would say that it was keeping the price level at a point which is in reasonable relation to the price level in a normal period.

Mr. BUFFETT. Of course, that is contradictory to the definition used generally by economists in that they say inflation is expansion of the currency, expansion of banking deposits, and expansion of public debt. However, prices represent a symptom of inflation.

Mr. BROWNLEE. I think one is inflation and one is price inflation. I am no economist.

Mr. BUFFETT. It is the effects of inflation or the symptoms of inflation?

Mr. BROWNLEE. That is right.

Mr. BUFFETT. Have you personally made any study of the experience the French had in their great price-control period, with the black markets?

Mr. BROWNLEE. No intimate study. Just the little I have read about it, which is very little.

Mr. BUFFETT. It seems to me that that certainly is something that would pay the agency to do, because France had a fairly extensive experience with price control, and they had black markets, and they tried to deal with those black markets, and instead of finding that they could control them, by increasing penalties, they found the black markets became worse as the shortage became greater and as the penalties became greater.

It certainly seems to me that that experience is worthy of O. P. A.'s thorough study. Now, I wanted to ask this question: Was O. P. A. consulted about the possible effects on the meat supply resulting from the Selective Service drain on farm labor since the first of the year?

Mr. BROWNLEE. No, sir; I think not. Not to my knowledge.

Mr. BUFFETT. I ask that question because I happen to know that out in the farm area, the people were very resentful of the methods that were used to drain off farm labor in the first quarter, and I know you will agree with me that there is not going to be a pound of meat come into the markets any place that does not come from the farmer, and it seems to me that all this starts with the attitude and the feelings of the people on the farm, and I have been back there in the last several weeks. I get letters from them almost every day, and I know how a lot of farmers feel.

For example, they have not yet recovered from the shock that they have had on the hog deal here a year ago. Now, as I remember, the responsibility for that hog deal was on the W. F. A., is that right?

Mr. BROWNLEE. The supply provisions of it, that is right, sir.

Mr. BUFFETT. Do you know of anything that has been done to restore the confidence of the farmers in the fact that that will not happen again?

Mr. BROWNLEE. Well, of course, there has been a recent announcement of an increase in the support prices from \$12.50 to \$13, and announcement that that support price would remain in effect until September 1946. We have also announced there would be no lowering of the hog ceiling until that time.

Mr. BUFFETT. I had this experience also, while I was home. I have had feed for sale, myself. Alfalfa and corn, but there is a farmer out there that has been trying to sell for 5 months and he cannot sell at any price, let alone ceiling price; there is so much feed and so little feeding going on that there are vast amounts of feed that are not available at all, and again they are blaming the Government. Whether it is W. F. A., O. P. A., or O. D. T., whatever it is, they feel that there are mistakes being made down here, and they are paying the penalty.

That is not an isolated instance, although a person could be misled certainly by conditions reflected in his own property, but all through that area there are vast supplies of feed that are not being used because the problem both of transportation and of hog supply has been muffed, to say the least.

Mr. BROWN. What is that surplus of feed?

Mr. BUFFETT. Alfalfa and corn.

Mr. BROWN. Where?

Mr. BUFFETT. Nebraska. If you want to buy some, I wish you would do it. I would not even ask for the ceiling price. The situation has been that critical in that area for some months, and alfalfa is literally unsalable. Corn, in spots, is likewise unsalable. That is, there is no market.

Mr. MONRONEY. That is a complete change from the previous year, is it not, when corn was very scarce and alfalfa was way above the ceiling?

Mr. BUFFETT. They were both in good demand at the ceiling price a year earlier.

Mr. MONRONEY. And unattainable, generally speaking?

Mr. BUFFETT. No, they were pretty generally attainable. There was never a time when you could not buy all the alfalfa you needed.

Now, the point of that is that the people out there are still resentful of that, because one agency blames the other agency. You say, "It is not us, it is W. F. A." When they take the farm labor, "It is not W. F. A., it is Selective Service."

Now, as those questions are battled around back here, each agency in turn may have an alibi; we in Congress may have an alibi; but that is not going to satisfy the farmers out there and it is going to reflect itself in their operations, as I think it has already, and it will grow to be an increasing problem. My complaint about these 10 regulations—and I have no real complaint, except an observation—is that only 1 of those regulations, or plans, affords any possibility of an increase in production, and that is where the problem is; it is in the increase of production.

Mr. BROWNLEE. We share that feeling, sir, that we would like to find some method of doing something to insure more feeding. As a matter of fact, we originally proposed in the program that there should be a subsidy paid direct to the feeder. That was not approved, and we do not know whether it would have been effective or not. But I am simply going to tell you that to indicate that we share your feeling, and anything that could be done to increase feeding would be all right with us.

Mr. BUFFETT. Well, certainly there is a possibility then that centralized control of this whole problem might do a lot for that, if we could avoid this bouncing around and passing the buck that has been going around, and of which the farmer is the final victim in each instance.

Mr. BROWNLEE. I do not really think, sir, it is passing the buck. It is using the best judgment that you can get from the agencies entrusted with the various functions and of course most of these things are a matter of judgment and it is a question whether one consolidation of this would have better judgment on it or not. I do not know. I know we would be running an agency with very conflicting objectives, of course.

Mr. BUFFETT. Well, you have this problem. Here is a farmer who wrote me last week. He said:

Do not blame us farmers any more for the lack of food. I have been trying to sell your corn for 5 months and we cannot get any service at the elevators and there are no feeders around to buy it.

What am I to answer? How would you answer? I am embarrassed.

Mr. BROWNLEE. I think it is difficult just as I think this whole feeding situation is difficult. As I say, we have now taken this one step. Maybe it is not enough, to get more feeding. But our difficulty, of course, has been acceptedly that when we try to increase the feeder margin, we end up by bidding up the price the feeder pays for his cattle, and if we can find a way to stop that and widen the spread, we would be entirely in favor of it. We have not been able to find it. And it is not because the agencies are in conflict about it. It is simply because nobody has been able to find a way of controlling it.

Mr. BUFFETT. No, but certainly the agencies are working at cross

purposes, when selective service goes out there and grabs off a tremendous amount of this farm labor without consulting with the O. P. A. to see what it would do to the food supply.

Mr. BROWNLEE. Well, of course, if you put all food under one agency, you would still have your selective-service situation. It is scarcely conceivable that you could have them all under one.

Mr. BUFFETT. Well, I think in that event the selective service would go to that central agency or the central agency would let selective service know——

Mr. BROWNLEE. I would guess War Food was consulted about the selective-service situation. Obviously, we would not be, because they are the supply agency and we are not.

Mr. BUFFETT. They would not come to you at all?

Mr. BROWNLEE. I would not think so.

Mr. BROWN. Mr. Buffett, where would your market for surplus feed crops be?

Mr. BUFFETT. We have, of course, two very regular markets in normal times. One is feeding in the area; that has declined very seriously because of these price controls. That is, there comes a time when the feeder says that he cannot make ends meet, after he is pushed around for so long. That has not reacted very seriously, and I do not think it will.

Mr. BROWN. I think if it is a matter of freight rates, maybe we can get together.

Mr. BUFFETT. The trouble is not freight rates. We are willing to pay the freight rates. But my man went back and forth from one elevator to another in his area trying to find an elevator that would buy the corn at any price and they cannot handle it because there are no cars. I think I have consumed a lot of time.

Mr. SUNDSTROM. May I ask consent to insert some figures compiled by independent auditors, of actual costs of slaughtering?

The CHAIRMAN. Without objection that may be inserted.

(The figures referred to are as follows:)

Figures submitted by National Meat Industry Council on slaughtering costs and ceilings

EXAMPLE NO. 1—CHOICE CATTLE

	Plant 1, 700-800 cattle	Plant 2, 300-400 cattle	Plant 3, non- Federal
Steers bought in Chicago at.....	\$17.00		
Freight, feeding, and buying cost.....	.66		
Total.....	17.66		
Less: Subsidy.....	2.00		
Net live-weight cost.....	15.66		
61-percent yield—dressed-weight cost.....	25.57		
Less: Byproducts recovered.....	2.75		
Net dressed-weight cost.....	22.92	\$22.92	\$22.92
Add: Plant cost.....	.75	1.00	2.00
Total cost, Chicago price, at—			
\$17.00.....	23.67	23.92	24.92
\$16.75.....	23.26	23.51	24.51
\$16.50.....	22.85	23.10	24.10
\$16.25.....	22.44	22.69	23.69
\$16.00.....	22.03	22.28	23.28
Ceiling price.....	21.50	21.50	21.50

Figures submitted by National Meat Industry Council on slaughtering costs and ceilings—Continued

EXAMPLE NO. 2—CHOICE CATTLE

	Plant 1, 700-800 cattle	Plant 2, 300-400 cattle	Plant 3, non- Federal
Steers bought in Chicago at.....	\$17.00		
Freight, feeding, and buying cost.....	.66		
Total.....	17.66		
Less: Subsidy.....	2.00		
Net live-weight cost.....	15.66		
60 percent yield—dressed-weight cost.....	26.10		
Less: Byproducts recovered.....	2.75		
Net dressed-weight cost.....	23.35	\$23.35	\$23.35
Add: Plant cost.....	.75	1.00	2.00
Total cost, Chicago price, at—			
\$17.....	24.10	24.35	25.35
\$16.75.....	23.68	23.93	24.93
\$16.50.....	23.26	23.51	24.51
\$16.25.....	22.84	23.09	24.09
\$16.....	22.42	22.67	23.67
Ceiling price.....	21.50	21.50	21.50

EXAMPLE NO. 3—CHOICE CATTLE

Steers bought in Chicago at.....	\$17.00		
Freight, feeding, and buying cost.....	.66		
Total.....	17.66		
Less: Subsidy.....	2.00		
Net live-weight cost.....	15.66		
59 percent yield—dressed-weight cost.....	26.54		
Less: Byproducts recovered.....	2.75		
Net dressed-weight cost.....	23.79	\$23.79	\$23.79
Add: Plant cost.....	.75	1.00	2.00
Total cost, Chicago price, at—			
\$17.....	24.54	24.79	25.79
\$16.75.....	24.12	24.37	25.37
\$16.50.....	23.70	23.95	24.95
\$16.25.....	23.28	23.53	24.53
\$16.....	22.86	23.11	24.11
Ceiling price.....	21.50	21.50	21.50

EXAMPLE NO. 4—CHOICE CATTLE

Steers bought in Chicago at.....	\$17.00		
Freight, feeding, and buying cost.....	.66		
Total.....	17.66		
Less: Subsidy.....	2.00		
Net live-weight cost.....	15.66		
59 percent yield—dressed-weight cost.....	27.00		
Less: Byproducts recovered.....	2.75		
Net dressed-weight cost.....	24.25	\$25.25	\$24.25
Add: Plant cost.....	.75	1.00	2.00
Total cost, Chicago prices, at—			
\$17.00.....	25.00	25.25	26.25
\$16.75.....	24.57	24.82	25.82
\$16.50.....	24.14	24.39	25.39
\$16.25.....	23.71	23.96	24.96
\$16.00.....	23.28	23.53	24.54
Ceiling price.....	21.50	21.50	21.50

Figures submitted by National Meat Industry Council on slaughtering costs and ceilings—Continued

EXAMPLE NO. 5—GOOD CATTLE

	Plant 1, 700-800 cattle	Plant 2, 300-400 cattle	Plant 3, non- Federal
Steers bought in Chicago at.....	\$16.00		
Freight, feeding, and buying cost.....	.66		
Total.....	16.66		
Less: Subsidy.....	1.95		
Net live-weight cost.....	14.71		
58 percent yield—dressed-weight cost.....	25.36		
Less byproducts recovered.....	2.75		
Net dressed-weight cost.....	22.61	\$22.61	\$22.61
Add: Plant cost.....	.75	1.00	2.00
Total cost, Chicago price, at—			
\$16.....	23.36	23.61	24.61
\$15.75.....	22.93	23.18	24.18
\$15.50.....	22.50	22.75	23.75
\$15.25.....	22.07	22.32	23.32
\$15.....	21.64	21.89	22.89
Ceiling price.....	20.50	20.50	20.50

EXAMPLE NO. 6—GOOD CATTLE

Steers bought in Chicato, at.....	\$16.00		
Freight, feeding, and buying cost.....	.66		
Total.....	16.66		
Less: Subsidy.....	1.95		
Net live-weight cost.....	14.71		
57 percent yield—dressed-weight cost.....	25.81		
Less: Byproducts recovered.....	2.75		
Net dressed-weight cost.....	25.06	\$23.06	\$23.06
Add: Plant cost.....	.75	1.00	2.00
Total cost, Chicago price, at—			
\$16.....	23.81	24.06	25.06
\$15.75.....	23.37	23.62	24.62
\$15.50.....	22.93	23.18	24.18
\$15.25.....	22.49	22.74	23.75
\$15.....	22.05	23.30	23.30
Ceiling price.....	20.50	20.50	20.50

EXAMPLE NO. 7—GOOD CATTLE

Steers bought in Chicago at.....	\$16.00		
Freight, feeding, and buying cost.....	.66		
Total.....	16.66		
Less: Subsidy.....	1.95		
Net live-weight cost.....	14.71		
50 percent—dressed-weight cost.....	26.27		
Less: Byproducts recovered.....	2.75		
Net dressed-weight cost.....	23.52	\$23.52	\$23.52
Add: Plant cost.....	.75	1.00	2.00
Total cost, Chicago price, at—			
\$16.....	24.27	24.52	25.52
\$15.75.....	23.62	24.07	25.07
\$15.50.....	23.37	23.62	24.62
\$15.25.....	22.92	23.17	24.17
\$15.....	22.47	22.72	23.72
Ceiling price.....	20.50	20.50	20.50

Figures submitted by National Meat Industry Council on slaughtering costs and ceilings—Continued

EXAMPLE NO. 8—COMMERCIAL CATTLE

	Plant 1, 700-800 cattle	Plant 2, 300-400 cattle	Plant 3, non- Federal
Cattle bought in Chicago at.....	\$14.50	-----	-----
Freight, feeding, and buying cost.....	.66	-----	-----
Total.....	15.16	-----	-----
Less: Subsidy.....	.90	-----	-----
Net live-weight cost.....	14.26	-----	-----
56 percent yield—dressed-weight cost.....	25.46	-----	-----
Less: Byproducts recovered.....	2.50	-----	-----
Net dressed-weight cost.....	22.96	\$22.96	\$22.96
Add: Plant cost.....	.75	1.00	2.00
Total cost, Chicago price, at—			
\$14.50.....	23.71	23.96	24.96
\$14.25.....	23.27	23.52	24.52
\$14.....	22.83	23.08	24.08
\$13.75.....	22.39	22.64	23.64
\$13.50.....	21.95	22.20	23.20
Ceiling price.....	18.50	18.50	18.50

EXAMPLE NO. 9—COMMERCIAL CATTLE

Cattle bought in Chicago at.....	\$14.50	-----	-----
Freight, feeding, and buying cost.....	.66	-----	-----
Total.....	15.16	-----	-----
Less: Subsidy.....	.90	-----	-----
Net live-weight cost.....	14.26	-----	-----
85 percent yield—dressed-weight cost.....	25.93	-----	-----
Less: Byproducts recovered.....	2.50	-----	-----
Net dressed-weight cost.....	23.43	\$23.43	\$23.43
Add: Plant cost.....	.75	1.00	2.00
Total cost, Chicago price, at—			
\$14.50.....	24.18	24.43	25.43
\$14.25.....	23.73	23.98	24.98
\$14.00.....	23.28	23.53	24.54
\$13.75.....	22.83	23.08	24.08
\$13.50.....	22.38	22.63	23.63
Ceiling price.....	18.50	18.50	18.50

EXAMPLE NO. 10—COMMERCIAL CATTLE

Cattle bought in Chicago at.....	\$14.50	-----	-----
Freight, feeding, and buying cost.....	.66	-----	-----
Total.....	15.16	-----	-----
Less: Subsidy.....	.90	-----	-----
Net live-weight cost.....	14.26	-----	-----
54 percent yield—dressed-weight cost.....	26.41	-----	-----
Less: Byproducts recovered.....	2.50	-----	-----
Net dressed-weight cost.....	23.91	\$23.91	\$23.91
Add: Plant cost.....	.75	1.00	2.00
Total cost, Chicago price, at—			
\$14.50.....	24.66	24.91	25.91
\$14.25.....	24.20	24.45	25.45
\$14.....	23.74	23.99	24.99
\$13.75.....	23.28	23.53	25.43
\$13.30.....	22.82	23.07	24.07
Ceiling price.....	18.50	18.50	18.50

Figures submitted by National Meat Industry Council on slaughtering costs and ceilings—Continued

EXAMPLE NO. 11—UTILITY CATTLE

	Plant 1, 700-800 cattle	Plant 2, 300-400 cattle	Plant 3, non- Federal
Cattle bought in Chicago at.....	\$12.50		
Freight, feeding, and buying cost.....	.66		
Total.....	13.16		
Less: Subsidy.....	.50		
Net live-weight cost.....	12.66		
54 percent yield—dressed-weight cost.....	23.44		
Less: Byproducts recovered.....	2.25		
Net dressed-weight cost.....	21.19	\$21.19	\$21.19
Add: Plant cost.....	.75	1.00	2.00
Total cost, Chicago price, at—			
\$12.50.....	21.94	22.19	23.19
\$12.25.....	21.48	21.73	22.73
\$12.....	21.02	21.27	22.27
\$11.75.....	20.56	20.81	21.81
\$11.50.....	20.10	20.35	21.35
Ceiling price.....	16.50	16.50	16.50

EXAMPLE NO. 12—UTILITY CATTLE

Cattle bought in Chicago at.....	\$12.50		
Freight, feeding, and buying cost.....	.66		
Total.....	13.16		
Less: Subsidy.....	.50		
Net live-weight cost.....	12.66		
53 percent yield—dressed-weight cost.....	23.88		
Less: Byproducts recovered.....	2.25		
Net dressed-weight cost.....	21.63	\$21.63	\$21.63
Add: Plant cost.....	.75	1.00	2.00
Total cost, Chicago price, at—			
\$12.30.....	22.38	22.63	23.63
\$12.25.....	21.91	22.16	23.16
\$12.00.....	21.44	21.69	22.69
\$11.75.....	20.97	21.22	22.22
\$11.50.....	20.50	20.75	21.75
Ceiling price.....	16.50	16.50	16.50

EXAMPLE NO. 13—UTILITY CATTLE

Cattle bought in Chicago at.....	\$12.50		
Freight, feeding, and buying cost.....	.66		
Total.....	13.16		
Less subsidy.....	.50		
Net live-weight cost.....	12.66		
52 percent yield—dressed-weight cost.....	24.34		
Less: Byproducts recovered.....	2.25		
Net dressed-weight cost.....	22.09	\$22.09	\$22.09
Add: Plant cost.....	.75	1.00	2.00
Total cost, Chicago price, at—			
\$12.50.....	22.84	23.09	24.09
\$12.25.....	22.36	22.61	23.61
\$12.00.....	21.88	22.13	23.13
\$11.25.....	21.40	21.65	22.65
\$11.00.....	20.92	21.17	22.17
Ceiling price.....	16.50	16.50	16.50

The CHAIRMAN. Mr. Thom, do you have any questions?

Mr. THOM. The Ohio Farm Bureau has written me a letter, and I would like to read you a sentence from it.

Why not take inspection to the packing plants on an emergency basis wherever they happen to be, instead of trying to give the present packers a monopoly on slaughtering, with great discrimination against local slaughterers?

Now, I am not a cattleman, and I confess that I have listened here and have not learned very much. Out our way they think that this Federal inspection system is militating against the independent packer and that the object is to wipe him out of existence. What do you say about it?

Mr. BROWNLEE. Of course, we feel that everything that can be done should be done to get him under Federal inspection. That is one of the objections of this program.

Mr. THOM. All right, I have tried, in the past, to assist local packers in getting Federal inspection. First of all, the cost of remodeling the plant has been a considerable item.

Secondly, the obtaining of the material to accomplish the object is almost impossible, and, if I remember rightly, they had some difficulty in getting men to do the inspecting.

So that when you say, "The Army will intensify its present program of encouraging nonfederally inspected plants to take federally inspected," I do not think you will get very far.

Mr. BROWNLEE. Well now, on those three points you bring up, I would like to say this: First, on the question of the expense. It has been arranged that the R. F. C. will loan money to the plants to enable them to cover the expense of remodeling for a Federal inspection.

Secondly, as to the scarce materials, I think that we could probably be of considerable help in securing priorities against this scarce material because this Federal inspection is so desirable for the entire meat program.

Thirdly, as to the availability of Federal inspection, as I understand there will be no trouble; they will give Federal inspection to all plants that are qualified and see that Federal inspection is had, that Federal inspectors are available. I do not see that we can do any more.

Mr. THOM. According to the testimony somebody in the Bureau of Animal Industries said with all your efforts, we are not going to have any more federally inspected plants.

Mr. BROWNLEE. I believe they said they had covered all of them that could qualify. If they make the changes to qualify for Federal inspection, I would think they would be most anxious to give them Federal inspection permits.

Mr. THOM. There has been a discussion here about a quota for slaughtering in these nonfederally inspected plants. There is a quota now on how much they can produce. Apparently there is a base for some certain years.

Mr. BROWNLEE. I have no knowledge of that fact. I don't know anything about that.

Mr. ERICKSON. There is a regulation which states that they cannot obtain subsidy on a bigger volume and certain percentage of what they slaughtered last year, but at the moment there is no quota on them other than that.

Mr. THOM. I know, but the leading packing plant in Canton, Ohio, has been cut down to 50 percent of its slaughter.

Mr. ERICKSON. Pork production?

Mr. THOM. All right. Now, that is in a community where there is a big working class, in the industries, and that is a very, very drastic reduction in a community where there is a demand for meat from the type of men who are producing war materials.

I notice that you are going to take another step and cut down the number of cattle they can buy or slaughter, and so you are tightening them up right a long. Is that not true?

Mr. ERICKSON. Well, the purpose, of course, of controlling non-federally inspected slaughterers is to get a more equitable distribution of the meat.

If the area you are speaking of is cut down below the national average because of this curtailment, there will be an adjustment made for the area, I understand.

Mr. THOM. Well, I know, but they made application on hardship grounds to increase that quota and they just threw it out the window. Now, the tendency of your regulation here seems to be to delimit this source of the meat supply in the city of Canton, Ohio.

Mr. BROWNLEE. Insofar as nonfederally inspected slaughterers are concerned, there is cause; we feel we must control the amount of their slaughter.

Mr. THOM. Yes; I can understand you saying that you want to get more meat into the Federal inspection plants, so as to make the Army's share sufficient.

Mr. BROWNLEE. Of course, we hope very much that these plants will become federally inspected, in which case they will not be subject to the quota situation. Mr. Erickson reminds me, of course, that they can take out partial inspection and get the Army to put a set-aside against that and not be subject to the quota.

Mr. THOM. Well, there are some controlling reasons why they do not get Federal inspection. I do not know what they are. Several years ago I had an experience with that where a plant intended to have inspection, and dropped it. I do not recall just why it was. All kinds of difficulties, and it just does not work. They do not come in. You say there are some 30,000 slaughterers in the country and only about five or six hundred of those have Federal inspection.

Mr. MONRONEY. I think the plants have to pay for the Federal inspector that is in the plant.

Mr. ERICKSON. I was asked that question a few days ago and at the time I could not answer it, but I was told they do not have to pay for that. They have to pay for the Federal graders, but not the meat inspectors.

Mr. MONRONEY. Yes, but it adds to their operating costs.

Mr. ERICKSON. You understand the Federal graders operate in any plants where they are available, regardless of whether they are federally inspected or nonfederally inspected plants.

Mr. BROWN. The State inspectors, I think the producer has to pay for them.

Mr. THOM. Are there any figures on the consumption of meat by the soldiers compared to the average national consumption rate in the past? Are they eating more?

Mr. ERICKSON. I do not know what those figures are. I understand that it is considerably above the national average.

Mr. THOM. Well, now, do you think that this program tends to eliminate these independent packers' complaints, concerning which fears were expressed by the Ohio Farm Bureau?

Mr. BROWNLEE. Well, we think that, of course, it will put their slaughter into ratio with the available number of cattle, and to that extent they will not be engaged or enabled to slaughter as many as they have been able to bid for in the past.

To that extent, I would feel their operation will be limited.

Mr. RILEY. Would you yield, Mr. Thom?

Mr. THOM. I yield.

Mr. RILEY. Mr. Brownlee, if you cut down the amount of cattle that these independent packers are using, you are going to reduce their volume to a certain extent so that they will be operating at a loss and that will force them out of business; will it not?

Mr. BROWNLEE. Well, we would of course have in addition to the quota a stipulation that they should not be cut below some ratio of their normal kill before the war.

Mr. RILEY. Well, the majority of them?

Mr. BROWNLEE. There the kill has stepped up very heavily, of course, since then.

Mr. RILEY. Well, a great many of them have not, and they are operating now, just making an average living out of it, I would say, a great many of them. They are not making any big money.

Mr. BROWNLEE. Of course, we have put into the plan a provision saying that if they operate at a loss and operate legitimately they can be given a special subsidy insuring that they are not put out of business. That was the prime reason for that provision.

Mr. RILEY. Are these large plants or will these large plants have to be expanded to take care of these additional cattle that you propose to channel into them, these federally inspected plants, that is?

Mr. BROWNLEE. No; we feel there is ample slaughtering capacity to take care of any animals that come to market.

Mr. THOM. That question is a very excellent one that was propounded by Mr. Riley. Now, take this certain plant. Here is a big institution. You are going to cut them 50 percent.

Mr. BROWNLEE. That would be on his hog slaughter?

Mr. THOM. Yes. That is all he slaughters. I think that is his chief product. How is he going to get along with a 50-percent operation?

Mr. BROWNLEE. As I said, Mr. Thom, that is why we put this special subsidy regulation in, so that if anything we do should put him in hardship, he can apply and we will assure that he will at least break even. We, of course, hope very much that plants like that will arrange for either Federal inspection or limited inspection, and in that way slaughter more and make their own contribution to the Army's need for meat.

Mr. THOM. I am not so optimistic about their being able to secure the necessary materials to revamp their plants in order to put them in line with the standards for the Federal inspection service. They need all kinds of enamelware, ceilings, floors, and so forth, and it would be pretty difficult to get that material. You may get priorities for it, but whether you can collect on your priorities is another thing.

Mr. BROWNLEE. I know that, and I feel War Foods, and the Economic Stabilization Office, would be glad to do everything they

can, and I believe we could help, so as to see that they do get materials for them.

Mr. THOM. That is all.

The CHAIRMAN. Mr. Hull.

Mr. HULL. I have no questions, except to say this: I was out home recently like the rest of the Members. Naturally, we heard a lot about the war, and a lot about O. P. A. Those are practically the only two subjects I heard any discussion on. I found a lot of people kicking about the black markets and wondering why there were so many inspectors out on the small fellow, the little fellow, the country-store fellow, and why they could not take some of them and put them in the investigation of black markets. I told them I could not answer that question. It happened in one little place, which might interest you. As I went in, they were discussing the Hitler situation and what to do with him. One wanted him shot; one wanted him hung; finally the proprietor says, "I have got one worse than that, give him a country store and let the O. P. A. finish him off."

Mr. BROWNLEE. I have another suggestion. You might give him O. P. A. and let somebody else finish him off.

Mr. SUNDSTROM. I meant to ask, you said about a third of the meat supply today is going to the armed forces?

Mr. BROWNLEE. That is our estimate at the present time, sir.

Mr. SUNDSTROM. Does that include meat that is set aside for other Government agencies?

Mr. BROWNLEE. Yes; that is total Government procurement.

Mr. SUNDSTROM. Have you any idea as to break-down on that third, as to how much actually goes to the armed forces?

Mr. BROWNLEE. I think we have nothing currently. We had some estimate last year, but nothing currently.

The CHAIRMAN. Mr. Riley?

Mr. RILEY. Mr. Brownlee, coming back to the proposition of grading the cattle before you kill them, on the hoof, how did the packers by them before the regulations came into effect? They certainly have not graded them. I do not know the terms they used, but I will say one, two, and three, cattle and hogs both; they must have had some standards to grade them.

Mr. BROWNLEE. Well, they buy, and over a span of time, they will probably be able to estimate them pretty closely; as to any one drove, however, it is probably impossible to say just exactly what the drove is. I am not a packer; maybe Mr. Erickson can answer that question.

Mr. RILEY. I cannot quite understand why some method cannot be worked out to grade them before you slaughter them.

Mr. BROWNLEE. I agree with you. It is hard to understand. It is hard for me to understand, not being a packer or cattleman. But we have asked not one, but many of them, and we think men that are the top men in all of either the growing or packing industries, how to do it, and we have not yet found one able to tell us how to put a ceiling on cattle on the hoof. We would welcome it and do it immediately if someone would or could tell us how to do it.

Mr. ERICKSON. The trouble is not so much that you cannot tell what the grade of that animal is. Packers can tell pretty closely grade and dressing percentage, but you have or would have to have a grader present any place where an animal was sold, and animals are sold by the head frequently out on a farm. You cannot have a

grader out there when that animal leaves the farmer's hand and goes to a buyer, and the same animal may change hands a dozen times before that animal finally reaches a packer. We would have to have a grader determine each time what the grade is, so the proper price could be placed upon it. It is just impractical.

Mr. RILEY. Well, do you not think they would soon learn that if you had certain centers there where you had graders? I know when you ship hogs and cattle through the extension departments, with the assistance of the extension departments in the various States, they grade them as they go in the ears.

Mr. ERICKSON. Yes they put on approximate grades, that is true.

Mr. RILEY. It would be close enough to control the subsidy, would it not, so that we could eliminate this thing of having third grade cattle sold as top grades, or paid for at top grade prices.

Mr. ERICKSON. You would still have that problem, I think, because the only reason that prices of cattle are so high is because your slaughterers want them so badly.

Mr. RILEY. I understand that, but you put a price on everything else. I do not see why you cannot put a price on cattle on the hoof. Every 4-H boy is taught to grade cattle to some extent all across the country.

Mr. ERICKSON. The difficulty is for the grading. If it were not for the grading, we probably could put a price on the product as it leaves the farm, the same as we do a lot of other farm commodities.

Mr. RILEY. I know, but still I think you could have certain centers where you could have the grader and take care of that because that seems to be the chief source of this trouble.

Mr. ERICKSON. Then you would have to insist that all the cattle go through those centers, which would be another regulation on your producers, and a difficult one.

Mr. RILEY. It would be a whole lot better than channeling it out of these small plants into the larger plants and so creating a shortage all over the country, because I am convinced that you are going to have less than you had before, if that scheme is carried out. I just cannot see it any other way, and my sympathies are with you, I will tell you that right now. But you cannot change the customs of a people overnight and expect to get results from it. It just cannot be done. That is not human nature. You have got to try to work with the tools at hand instead of trying to set up some new process. That is my thought.

Mr. ERICKSON. We agree thoroughly with you. Our best advice from all industry members is that they have no way to put a ceiling on cattle on the hoof. Now, I agree with you, I do not understand why it cannot be done, but when that comes from man after man of the industry and all branches of the industry, they have convinced me that it cannot be done.

Mr. RILEY. Well, the only answer I have for that is that they did it before the war, I do not see why they cannot do it during the war.

Mr. ERICKSON. We agree that a packer or buyer can estimate very closely both the grade and the dressing percentage, but I do not think that is the main problem, it is the fact you could not have enough graders in the country so they could be stationed at every point where an animal might be sold. And, you cannot very well have one person grade the animal and have that grade stay on the live animal until it reaches its ultimate destination.

Mr. RILEY. I am not convinced that it would not be easier than what we are trying to do. I am concerned about channeling the livestock away from these small plants. It is not practical. It is desirable, but it is not practical, for these small plants, to recondition themselves so as to qualify for Federal inspection.

Mr. ERICKSON. It is true that a lot of them probably will not be able to do that.

Mr. RILEY. It is a physical impossibility. So, it seems to me that we ought to work out something that would take advantage of the tools that we have so that we can go ahead in as normal a way as possible.

Mr. BROWNLEE. Of course, we are confronted with the choice of having so many cattle, and where do you want them. Our difficulty is if the kill increases in the nonfederally inspected slaughter, obviously it does not stay up in the federally inspected slaughter.

Mr. RILEY. If my information is correct that there are more cattle in the country than there ever were before—

Mr. BROWNLEE. That is right, sir.

Mr. RILEY. Well, there must be some reason why they are not going to market.

Mr. BROWNLEE. Well, they are coming to market in bigger volume than they ever have before. Cattle have moved in the past 3 months in bigger volume than ever in this country for the comparable months. but there are still not enough to go around to answer the demand including the Government take.

Mr. RILEY. Well, I think one reason for these subsidies is to increase the volume of the cattle that we have. That is our one purpose, to get more cattle. We have increased everything else, by paying subsidies. There must be something wrong then if we have not been able to entice people into raising more cattle in proportion to other things.

Mr. BROWNLEE. Of course, the difficulty is they have got the biggest amount of cattle—

Mr. RILEY. Apparently it is still not big enough yet.

Mr. BROWNLEE. They are sending more to market than they have ever sent before, but it is still not enough to make up the Army's need plus the civilian needs.

Mr. SUNDSTROM. I would like to have you submit in the record for us the facts as to how the meat is being distributed, how much is going to the armed forces, how much to lend-lease, how much to U. N. R. R. A. and how much is going to civilian production.

Mr. FIELD. Judge Patterson gave that yesterday for the year 1944.

Mr. BROWNLEE. I do not think we have that information unless the Army is willing to give it to us.

Mr. SUNDSTROM. Will you try to get it and insert it?

Mr. BROWNLEE. I will be glad to.

Mr. SUNDSTROM. Because I think that will answer the question Mr. Riley is asking. If so much meat is available, what is happening to it, who is getting it, how much is going to the Army, how much to the civilians, and how much is going abroad? I think it would be helpful to the committee and to Congress.

Mr. BROWNLEE. We will be very glad to get any information on that that we can, sir.

Mr. RILEY. As a practical proposition, Mr. Brownlee, you are talking about the small plants. Right in the shadow of the small plants, people are not getting near as much meat as they used to get—those that live right in the shadow of these plants. So evidently they are not getting as much as they might have, and I realize, of course, that consumption is greater, but when you cut their quotas down you are going to have a bigger howl than ever from the people that are obtaining their supplies from the small plants. I think you are going to have to work something out that will utilize the production of the small plants before you solve this proposition. I think we are going to have to work on that theory.

Mr. THOM. Why not relax this Federal inspection for the time being and let more of them come in on it.

Mr. RILEY. I do not see how that would hurt. Most of these small plants have city or State inspection, and I certainly have not heard of anybody being sick down there from eating the meat.

Mr. THOM. If they relaxed the inspection on children working in plants, in stores, and at other places, I do not know why they should not be able to go forward and cut down the Federal inspections on meat.

Mr. BROWNLEE. Of course, we would be in entire accord with anything which put most plants under inspection, so that they could be supplying what the Government wants. Unfortunately, it is a situation which we do not have control over under the transferred powers either. Still that stays with War Food, who apparently feel it is dangerous.

Mr. RILEY. Who would have the authority to relax some of the requirements of Federal inspection so that they could inspect the plants as they are?

Mr. BROWNLEE. The determination of that, I believe, rests with the War Food Administration. I suspect that that is a law, though I am not sure.

Mr. THOM. The Bureau of Animal Industry makes the inspection. They are governed by the law on the subject.

Mr. MONRONEY. Will you yield, Mr. Riley?

Mr. RILEY. Yes.

Mr. MONRONEY. Along that line, why would it not be possible for the duration of the war only to suspend the prohibition against allowing only federally inspected plant products to move in interstate commerce? The point I am making is if this meat is good enough for Pennsylvania or Oklahoma, it is not going to hurt the people in New York to eat it too. We are not actually protecting people against death or anything, because most all that meat is subject to some kind of inspection. I think Federal should be sold in the Army. I think the civilians would be glad to get nonfederally inspected meat.

Mr. BROWNLEE. I think it would be required that we have a law in order to change it.

Mr. MONRONEY. It can be done by legislation and eliminate this thing, requiring these plants to be hooked to a big construction cost which would probably be impossible for the average nonfederally inspected plants to do. I am worried that we are going to concentrate the whole meat industry into a few major packing plants, and eliminate the very people who for years have helped the livestock

producers maintain a decent market, and a certain degree of protection of their price.

Mr. RILEY. I think you have something there. We could give the Army the federally inspected meat and let those of us at home take the other, because as far as I am concerned, I cannot tell the difference between the two.

Mr. BROWNLEE. You mean if you can get any.

Mr. RILEY. Yes.

Now, there is just one other question. How closely do these agencies—the War Food Administration, the O. P. A., and the Office of Economic Stabilization—cooperate in these matters?

Mr. BROWNLEE. Very closely, I would say, Mr. Riley. We have our disagreements at times, and then, of course, that is when the matter goes to the Office of Economic Stabilization. They do not participate in these decisions unless there is a disagreement between the agencies. In a major program like this we will find some disagreement on some point or other, but in general the cooperation is very close and the disagreements are relatively few.

Mr. RILEY. Thank you.

Mr. BROWN. Mr. Brownlee, what about—

Mr. BRUMBAUGH. In this program that you are putting forth, Mr. Brownlee, is the main objective to get more meat or is it to penalize the farmers and small packers for the part they play in the black market?

Mr. BROWNLEE. It is obviously not an attempt to penalize anyone, it is an attempt to get a better distribution of meat and to get the people that have not been in the legitimate market into the legitimate market. Certainly it is no effort to penalize anyone.

Mr. BRUMBAUGH. Then why would you cut his production down, if he could produce more meat and slaughter more; why would you cut it down to what he slaughtered last year?

Mr. BROWNLEE. Well, for instance, take the hog situation. There are simply not as many hogs running as there were last year. There are not just enough hogs available. Consequently, it is an attempt to regulate his slaughter in proportion with the total number of hogs available; of course, also with this very heavy take of the Army, and the fact that the only people that can ship in interstate commerce are the federally inspected plants, it is an attempt to find a method of getting meat available to, then ship into, these severe deficit areas like Washington.

Mr. BRUMBAUGH. For instance, a man goes out and rents a farm. He can only slaughter 400 pounds of meat.

Mr. BROWNLEE. Unless he slaughtered more last year.

Mr. BRUMBAUGH. That is correct.

Mr. BROWNLEE. You mean and sell that much meat? That is not what he can slaughter.

Mr. BRUMBAUGH. Well, now, suppose he does not live within distance of a federally inspected plant, and these local packers have slaughtered all they dare slaughter, where is he going to sell the balance of his meat?

Mr. BROWNLEE. There is no evidence at all that there is any trouble in finding a slaughterer for your meat. The difficulty has been the other way. There has been this tremendous competition for the animal, which is bidding the price right up against the ceiling or over.

Mr. BRUMBAUGH. Suppose these local slaughterers have no Federal permit to slaughter and they have filled their quota, from which they will be cut down now. He cannot ship his cattle to a federally inspected market unless it is a carload, can he, in lots of districts?

Mr. BROWNLEE. Well, of course the minute there is cattle available, and the bidding is not such as to push these cattle right up against the ceiling, indicating that there is some selling competition, we would immediately remove the quota. We are only interested in these quotas as long as the cattle supply is shorter than the facilities to slaughter them, or the desire to bid them up.

We have no interest in these quotas whatsoever the minute there is an ample supply of cattle.

Mr. BRUMBAUGH. In other words, as soon as there is an ample supply of cattle, then the local slaughterers will be permitted to slaughter all they want to.

Mr. BROWNLEE. If the cattle run goes up, we would raise their quota, and when there were no pressures and plenty of animals available, we would remove all quotas.

Mr. BRUMBAUGH. In other words, then, whether it is federally inspected or not?

Mr. BROWNLEE. That is right, of course that would be on a national basis. There might be a spot, conceivably, such as you mention. I think there will be very few of them at the present time because there is no evidence that there is not far more demand for cattle than there are cattle available.

Mr. BRUMBAUGH. I understand that the main shortage for shoes, and so forth, the reason they have to be rationed is because of the black market. Some of the small packers and farmers are just destroying their hides in order to cover up their black-market operations; is that correct?

Mr. BROWNLEE. I do not believe that that factor has anything like the importance of some other things, in causing the shortage of shoes. There may be some of these noninspected slaughterers that do not send their hides to market, but when you stop to think about it, I believe there would be very few of them that would do that.

Mr. BRUMBAUGH. Is there not a way of checking on them, if they sell their hides, as to the amount of beef that they slaughter?

Mr. BROWNLEE. Well, if they are in a legitimate market, and reporting and securing subsidy, of course, you could tell exactly what they slaughter.

Mr. BRUMBAUGH. Otherwise, they do not or could not sell their hides and would have to destroy them, which a great many of them, I understand, are doing.

Mr. BROWNLEE. Well, I do not believe that the check-up has gone that far, so that the man in the black market has always destroyed his hides. The evidence is that they have not, although we do understand that some of them have not been sent to market.

Mr. BRUMBAUGH. That is all, thank you.

Mr. BROWN. Mr. Brownlee, you have been helpful, and you have a very difficult job; I am sure it will continue to be a very difficult one. Thank you very much for appearing here.

Mr. BROWNLEE. Thank you very much. May I say one thing, Mr. Chairman? I appreciate those remarks. This program will call

for an amendment to the bill, since the Senate bill was passed allowing \$560,000,000 for the meat program. We think it is necessary for this program to have not less than \$595,000,000 and I just wanted to ask if the committee would consider an additional appropriation?

Mr. PATMAN. Do you have the amendment prepared?

Mr. BROWNLEE. It is just a question of changing the figure.

Mr. PATMAN. Oh, I thought we had to add some language.

Mr. BROWN. We will give it consideration. Now, you are excused.

We have only two other witnesses this afternoon. They are short witnesses, and then that concludes the hearing.

Mr. Field wants to be heard.

Mr. FIELD. Mr. Chairman, I would be happy to do whichever the committee prefers, with respect to my comments on the premium-price plan for copper, lead, and zinc, either put it into the record, or speak briefly about it.

Mr. BROWN. I imagine you could put it in the record.

Mr. WOLCOTT. It is a very controversial matter.

Mr. MONRONEY. Is that for the full-year guaranty?

Mr. WOLCOTT. Yes. I do not know how much the committee will want to discuss it in the hearings, but surely they will want to discuss it in executive session.

I think he should explain what it does.

Mr. BROWN. All right, go ahead and explain what it does.

Mr. FIELD. I would like to say, for the Office of Price Administration, that we believe that the premium-price plan, has been and remains indispensable to price stabilization. It is the conviction of the Office of Price Administration that the plan should be continued until June 30, 1946, on terms sufficiently generous to assure its effective operation.

Accordingly, we believe that the A premiums should be made noncancelable, and that the other premium classes should be cancelable only on the basis of 60 days' advance notice.

With those essential provisions, we are fully satisfied that the purposes of price stabilization can be served.

The several Government agencies concerned in the administration of the premium-price plan are in agreement as to those terms, and propose to announce extension of the plan accordingly, in the event that the necessary funds are made available by Congress as a result of this bill.

The provisions of S. 502, however, as passed by the Senate, extend beyond what the Office of Price Administration considers to be necessary in this respect. This bill would require that the premium-price plan be extended to June 30, 1946, with not only the A class of premiums, but with all classes of premiums noncancelable as classes.

It is not the intention of the Office of Price Administration to concur in the cancelation of any class of premiums, unless the supplies available without such premiums are entirely adequate to satisfy legitimate demands.

Premium money, however, is subsidy money. Throughout the entire life of the premium-price plan, this office and the other Government agencies concerned have been consistent in the effort to avoid imposing upon the Government any subsidy outlay beyond the amount necessary to obtain needed output and to provide reasonable returns to producers.

Adoption by Congress of a provision requiring firm continuance of all classes of premiums might, we believe, result in an expenditure of public money beyond the amount necessary to achieve the purposes for which the premium-price plan was designed.

Such a provision would have the further disadvantage of impeding the kind of adaptation to changing conditions that has been found necessary in the past.

Experience, we think, indicates the adequacy of terms of the sort outlined a few moments ago, to which we should adhere in the absence of legislation which required us to do otherwise.

I think that is all I have to say on it in the absence of questions.

I would like, also, to say that the Office of Price Administration recommends that the amendment suggested by Mr. Goodloe yesterday, in some appropriate form of language, be adopted. We feel that the situation which he set forth is one which does require some kind of corrective legislation.

Mr. WOLCOTT. What amendment is that?

Mr. FIELD. That was the amendment, Mr. Wolcott, which Mr. Goodloe discussed yesterday afternoon, which would permit the Director of Economic Stabilization, or his designee, to cancel the obligation to repay a subsidy where it had been paid to a person who was not eligible, but who had received it in good faith, and so on.

Mr. WOLCOTT. Oh, yes, I remember now. This provision which you have been discussing really amounts to a subsidy to a certain class of people, and has no relationship to the purposes of the Price Control Act; is that not right?

Mr. FIELD. Are you referring to the premium-price-plan subsidy?

Mr. WOLCOTT. Yes; I mean as it was amended by the Senate.

Mr. FIELD. Do you mean that the subsidy has no relation to the purposes of the Price Control Act, or that the Senate amendment has not?

Mr. WOLCOTT. The subsidy in the Senate amendment.

Mr. FIELD. Well, the Senate amendment requires the continuance of a particular subsidy program for the coming fiscal year, whether the production is needed production or not.

Mr. WOLCOTT. That is right.

Mr. MONRONEY. Is that on copper, lead, and zinc?

Mr. FIELD. That is correct; yes.

The CHAIRMAN. Do you have anything further, Mr. Wolcott?

Mr. WOLCOTT. I do not know that I have anything further except if we are going to do that for copper, lead, and zinc, that we ought to open the doors wide and do it for almost everything else. Why pick copper, lead, and zinc to give that advantage to, instead of automobiles or anything else?

The purpose of the subsidy is under section 2 (e) of the Price Control Act is to assure an adequate amount of production?

Mr. FIELD. That is correct.

Mr. WOLCOTT. That is all it is for?

Mr. FIELD. That is right.

Mr. WOLCOTT. It is not to subsidize high-cost producers other than for the war effort?

Mr. FIELD. That is correct.

Mr. WOLCOTT. And this goes beyond that, as I understand it, and extends long after the need for price control has ended, perhaps?

Mr. FIELD. It seems to us you are entirely right. That is what we were attempting to point out to the committee.

Mr. BROWN. Mr. Patman.

Mr. PATMAN. No questions.

Mr. BROWN. Dr. Smith.

Mr. SMITH. I would like to know, on page 3 this clause "excepting all classes of premiums shall be noncancelable unless to make any adjustments;" that language is new in the legislation, is it not?

Mr. FIELD. Yes; all of the language beginning with "*Provided further,*" on line 16, down through to the end, was inserted by the Senate for the first time.

Mr. SMITH. Heretofore it has been mandatory to cancel such contracts where it was found——

Mr. FIELD. Well, heretofore, we operated under a plan which was announced to be in effect for a given period of time, subject, however, to cancellation as to a given class, upon 30 days' notice. The language of the bill, as passed by the Senate, would prevent us from continuing to maintain that 30 days' notice of cancellation. We would be required to continue the class as a class for the full life of the bill—that is, for the full fiscal year.

Mr. SMITH. Now, what has happened to cause you to make or request this change?

Mr. FIELD. We did not request it. We have not requested any change. The proviso was put into the Senate bill, and we are calling to the attention of this committee the fact that we do not regard it as necessary to effectuate the purposes of the legislation.

Mr. SMITH. You mean the suggestion did not originate with your agency?

Mr. FIELD. Oh, certainly not. It was an amendment offered to the Senate bill in the committee by Senator McFarland, and adopted by the committee and enacted by the Senate.

Mr. SMITH. So far as you are concerned, you do not need it, and you are not recommending it?

Mr. FIELD. We do not think it is necessary and we are not recommending it.

Mr. SMITH. Would you recommend against placing it in the bill?

Mr. FIELD. Well, I think we regard it as certainly a departure in principle from anything the Congress has done before in connection with subsidies, and if you want my judgment, I would certainly not think it would be a wise thing to do.

Mr. SMITH. In other words, if we adopt a policy of doing it in respect to these particular items, there is no reason why it should not be applied to all of the things that are produced for the war; is that not right?

Mr. FIELD. I take it that the reason why it was done for copper, lead, and zinc, was out of the belief, on the part of the Senate, that it was necessary to give this degree of assurance of noncancelability, in order to bring out needed production. The witnesses from the procurement agencies here yesterday have testified that they did not think that it was necessary from the point of view of bringing out needed production. That being so, if it is a fact, and, of course, I do not pretend to be an expert on that question, it does not seem to us that there is a reason for having that in the bill.

Mr. SMITH. That is all.

Mr. BROWN. Mr. Monroney?

Mr. MONRONEY. What you are saying, Mr. Field, is that you are living up to what you said when you first asked for subsidies, that is that you want them no longer than it is absolutely necessary to get the essential production for war.

Mr. FIELD. That is absolutely right.

Mr. MONRONEY. And a lot of the fears expressed at that time that this would be made a permanent program and the O. P. A. is coming here now and saying a forced continuation of subsidies on things not needed would be bad public policy?

Mr. FIELD. That is entirely right.

Mr. MONRONEY. You remember, or agree to a 60-day notice to avoid any individual hardship on the part of these operations? I think there should be some shut-off cushion so that they could get out without too much hardship.

Mr. FIELD. That is right. And I want to make it clear that we do believe that the plan should be continued as long as needed for the purpose of bringing out the necessary production, and we propose to do so.

Mr. MONRONEY. But it should be based on the need for the production rather than just the desire for subsidy payments.

Mr. FIELD. That is our view; yes.

Mr. MONRONEY. That is all.

Mr. BROWN. Mr. Folger.

Mr. FOLGER. I have no questions.

Mr. BROWN. Mr. Buffett.

Mr. BUFFETT. Mr. Chairman, I do not want to ask this question of the witness, but I do want to go on record here as stating that I believe, before we pass on this, that we should have an intelligent understanding of the copper situation. Now, I happen to know that the United Kingdom has canceled all their purchase contracts for copper in Canada and I believe in South Africa, and that all that copper is now being sent to the United States. I think we ought to know what our copper situation is, what the outlook is, and what the demand and supply and stocks are, before we make a contract running over the next year.

Then I have this further interesting point that I think the members of the majority will be interested in, in view of their interest in world trade and world peace. I have a review here of a book put out by the Brookings Institution, entitled "World Minerals." They make this statement:

Various kinds of economic and political controls have tended to restrict the movement of minerals from the best and cheapest sources of supply. For the most part governments have adopted such measures with the twofold aim in view: the strengthening of the military power of their countries and the improvement of the economic position of their peoples. These various measures had a cumulative ill effect on world trade and world peace.

Now, I concede to the fact that I may not understand this accurately but, as I do understand it, this premium price plan is exactly the thing that the Brookings Institution is talking about as a contributory factor toward bad relations and, ultimately, war. I think we ought to understand that factor—and understand that copper situation that I have mentioned—before we pass on this proposal.

Mr. BROWN. We can talk about that in executive session.

Mr. THOM.

Mr. THOM. Now, again, I want to ask what this clause means:

Except that all classes of premiums shall be noncancelable unless necessary to make individual adjustments in income of specific mines.

I think that is interpreted to say that can be canceled only when it is necessary to make individual adjustments necessary to income of specific mines. What does that mean?

Mr. FIELD. I think I will ask Mr. Anderson to explain precisely the way in which that works.

Mr. ANDERSON. As I understand it, the object of that provision was to prohibit the procurement agencies—that is the agencies concerned in the operation of the premium price plan—from canceling any premium class, of which there are three. It was intended, in adding that language, which you have just read, not to prohibit the cancelation of the premium of the C or the B or the A variety on any particular mine, when that mine was in an adequate income position without the premium payment.

The object was to prevent across the board cancelation of premium classes, but not to prohibit such adjustments as might be needed to prevent individual mines from earning unreasonably large profits by reason of premium payments.

Mr. THOM. That is all.

Mr. BROWN. All right, thank you very much.

Mr. RILEY, do you have any questions?

Mr. RILEY. I have on questions.

Mr. BROWN. Mr. Brumbaugh, do you have any questions?

Mr. BRUMBAUGH. I have no questions.

Mr. BROWN. You are excused, Mr. Field.

All right, Mr. Duke is the next witness.

Mr. DUKE. I hesitate to ask for time at this late hour in the day, sir, but do I understand the meeting is not going to carry over to another day?

Mr. BROWN. That is right.

STATEMENT OF GORDON DUKE, PRESIDENT, SOUTHEASTERN OIL CO.

Mr. DUKE. My name is Gordon Duke, president of the Southeastern Oil Co. in Jacksonville, Fla.

My intention is here not to oppose this bill but to bring to the attention of the committee some inequities in its administration and to ask for an amendment that might in effect prevent those inequities in its administration from being continued.

Since August of 1944, or about 8 months ago, it has been impossible for the smaller oil importers to the 17 Atlantic Coast States to qualify for the defense supplies subsidy on transporting petroleum products from the producing districts to the Atlantic coastal areas.

For the first 2 years of the subsidy plan there were no rules or regulations within the defense supplies program, which made it necessary for an importer, provided he brought oil in in the same way as the larger companies, to conform to any historical pattern, but, by an amendment, which we know was initiated and inspired by P. A. W., last August 1, it then became impossible for any of us to file claims

without being in compliance with all the rules, regulations, orders, and, as the amendment says, any regulations of an industry committee that is approved by P. A. W.

Well, gentlemen, that brought on a situation where companies like my own, and two other firms for whom I have been asked to speak here today—and that reason was, at the request of the chairman, Mr. Spence, that we not duplicate testimony and unnecessarily occupy the time of the committee in telling the same story—and it would take a rather lengthy dissertation to give you people all the facts chronologically as to how we led up to a situation that makes it impossible for those of us who do not sit on the industry committees that advise with P. A. W. to have our movements approved under the directive 59 shipping schedule and to go into all the ramifications which it would be necessary to give you in order for you to understand the operations of directive 59 and the allocations system and the operation of the industry committees.

I will be glad to answer any questions, but the simple amendment that I wish to ask your consideration for, is that on line 16 of page 3 of S. 502, after the word "stabilization" that the amendment would provide—

further, that any payment under paragraph D for the compensation of war added costs of transporting petroleum and petroleum products from the producing areas to the Atlantic coastal areas, shall be made to all shippers so long as such shippers utilize the methods similar to those of all other companies.

We do not expect to be paid the extra war costs of moving oil to the Atlantic Coastal States, when we use transportation that is any different to that of any other company; we do feel entitled to that compensation when the transportation means we use are identical to those used by any companies being paid, and I would like to ask the committee's consideration to have such an amendment or, if that is not possible, at least to express the approval of the committee to the administrators of the subsidy plan that there will be no discrimination in making these payments to the various people who might be eligible for them.

Mr. PATMAN. Mr. Wolcott, do you have any questions?

Mr. WOLCOTT. Does the P. A. W. have the authority now to authorize a subsidy to you?

Mr. DUKE. They have the authority to deny that you get it. They do not pay it to you, but it says in the amendment of last August that—

no application for compensation may be filed for any quantity of petroleum products imported after July 31, 1944, which is brought in in violation of any rules, regulations, orders, or directors, authorized or approved by Petroleum Administration for War—

meaning that, in a few simple words, it is not wholly a matter of your historical right to bring in some percentage that is equal to your 1941 imports—that is your last pre-war year—and then further reduced by your available supplies today—we know there is less available today than in 1941, and it is quite possible for my company to have a perfect historical right to bring in, say, 35,000 barrels for the month of April inasmuch as I brought in 50,000 barrels, say, for the month of April 1941, and, on the face of it, it would seem that I would have an automatic approval to bring in this 35,000 barrels now since the rest of the industry is operating at about 70 percent of normal, but that is not the case with the director's 59 shipping schedule.

I might be denied the right to be put on that shipping schedule without any recourse to any agency that I know anything about, and told instead to buy my product from one of the other companies who are already bringing it in and I have no right to demand that I should be given the privilege of bringing in some exact percentage as the other companies may be, that is in relation to your 1941 historical basis.

Mr. WOLCOTT. You maintain that the regulation operates against the small importer?

Mr. DUKE. It does.

Mr. WOLCOTT. Discriminates against the same companies?

Mr. DUKE. It does distinctly in this way, that we have a peculiar situation within P. A. W. and, incidentally, I might add at this moment that I am not one who thinks that their job, on an over-all capacity, has not been good. On the contrary, I frankly feel they have done a very good job.

I do believe that they have carried on in the guise and with the excuse of the war, a good many regimentations and regulations that have not been necessary, and I think anyone familiar with the oil business would have to agree with that.

You have this particular situation, sir, P. A. W. is staffed by principally people who came from the bigger companies within the industry, which is perfectly natural. They were the only places where trained personnel could be had who had a broad enough view and vision to really get us this oil we needed during the war.

But it happens, unfortunately, that those very people are prone, either subconsciously or consciously—and I am not accusing them of bad faith in every instance—but they are prone to look at those problems from the standpoint of their own historical experience.

There happens to be almost no one in those industry committees or in P. A. W. who comes from a small company, because they do not have the experience required to carry out that position.

We find that D. S. C.'s disposition is to transfer their authority, under these subsidies, to P. A. W. and whatever in large measure P. A. W. asks them to put in, whatever amendment they ask them to put in their subsidy payment plan, they do.

Now, the mere fact that the smaller companies have no access to these small committees to get any amendments means you have no opportunity to sit in on the committees that draft the suggested regulations that are later issued by P. A. W.

Practically every committee, whether it is marketing, transportation, or refining and producing, is made up of former employees on leave of absence from the larger companies, and the only point I was trying to make at all was, it seems wholly proper to us that if company A, whether it be Standard or Gulf or Texas or Shell, bring 50,000 barrels of oil by pipe line or barge to Florida, and that we bring it in in exactly the same way, use exactly the same type of transportation, which is the only one you can use in that area, that we are not paid the subsidy and cannot under the D. S. C. regulations be paid it while the other company is paid the subsidy.

And it all got down to our request that we not be given any unnecessary discretionary powers in these regulations to hold the sort of life and death over some of the smaller business firms as they now do.

They can deny you that subsidy. It is impossible for you to pay the price oil costs at the refinery, bring it to the Atlantic coast, sell it under the O. P. A. ceiling, and not collect that subsidy.

Mr. WOLCOTT. How does that affect the petroleum situation?

Mr. DUKE. In the over-all importation of products? We brought some million barrels of oil in the past year out of Mexico with Mexican tankers, which was cut off because it was impossible under this subsidy program to continue to operate.

Mr. WOLCOTT. Well, is it diverted to other channels or does it eventually find its way in here?

Mr. DUKE. No; as far as I know, that oil is now going to Cuba and South America.

Mr. WOLCOTT. The fact that there has been a discrimination against the small importers has prevented this large amount of petroleum from coming into our market?

Mr. DUKE. I think it can safely be said, sir, that there are some additional supplies that would arrive at Atlantic Coastal States were it not for the regulations as they are set up by the industry committees, and then approved or rubber stamped by P. A. W.

Mr. WOLCOTT. Could you give us any estimate as to the amount of petroleum that would have come in had it not been for this discrimination?

Mr. DUKE. No, sir; that would be impossible for me to make a guess that would make sense at all.

Mr. WOLCOTT. It would run into quite a large amount?

Mr. DUKE. Unquestionably.

Mr. PATMAN. Mr. Monroney, do you have any questions?

Mr. MONRONEY. In your shipment of oil, does the P. A. W. have quotas for the importers?

Mr. DUKE. No, sir; they have quotas for the marketers. That is tied, Mr. Monroney, to your 1941 gallonage, and you are entitled, out of all that arrives at the 17 Atlantic States, to some exact percentage as all the other companies; and, roughly, sir, it is about 70 percent of the amount that you marketed in 1941. But that same right does not follow on down to the right to import it. Instead, you may wish to be placed upon the directive 59 shipping schedule, and unless you are placed on it, you cannot receive your subsidy since this amendment, and you have no right to demand or insist on your historical way of requiring you to put you on that shipping schedule for that 70 percent.

You may be told, "Well, let Company X bring it in, and you buy it from them after it arrives. You need not worry about bringing it in. Let somebody else bring it in for you, and you get it from them."

Mr. MONRONEY. In other words, your position is that you ought to be allowed to bring it in any way you want to, in tankers, and as long as you do not ship in more than your quota, receive this remuneration for the additional freight charge; is that right?

Mr. DUKE. I do not feel that one company should be paid a subsidy for bringing it in in a less efficient manner than his competitor, but I do feel when both of them use the same type of transportation that there should be no discrimination.

Mr. MONRONEY. I am trying to get at the point why P. A. W.--there must have been some reasoning in their refusal to pay this transportation charge.

Mr. DUKE. Well, of course, P. A. W. does not pay it, but D. S. C. does.

Mr. MONRONEY. Yes; I know; but it has to be authorized.

Mr. DUKE. Well, I think the answer to your question is this, sir, that in the early stages of the so-called pooling program—that is, this directive 59 which set the historical quotas—all companies were told, “You may or may not, as you choose, participate in the pooling plan”; the idea of the pooling plan being placed by the P. A. W. was solely to guarantee the antitrust provisions for those who corner the market.

Mr. MONRONEY. In other words, one tanker would bring in for three or four companies rather than run three or four tankers?

Mr. DUKE. Correct, sir; although in the case of gasoline there are not any civilian supplies of gasoline coming in in tankers, of course; but the fact is, to answer you as to why P. A. W. will not put somebody on the shipping schedule if it does not happen to agree with their wishes, is that when this directive 59 was issued and companies like ours and all others were told that you may or may not pool your supplies and withdraw out of the total pie some historical quota, many of the firms—and we were one of them—elected not to take part in that program, for this reason, Mr. Monroney—that I know that if I operate my business in the four Southern States and they are all within this district where we are only doing 70 percent of the business, then I am very sure I am going to come out of this war 70 percent of what I went into it, and that, as against the oil business as a whole, coming out of the business 50 percent of normal; so we elected—and we were told we might elect to do so—and not only this one company but many others—to stay out of the cartelized pool and bring in our own products, to bring them into the areas formerly served by that transportation means, and apply and be paid our own subsidy and hence endeavor to be on an equal basis with the rest of the oil industry.

Now we are told, as a result of this amendment, that directive 59 is still voluntary, that you may or may not pool suppliers, but if you not pool your supplies, you cannot receive the subsidy any more; and we felt, sir, that it is not consistent to say that you may or may not join into a voluntary program, and then, when you have elected not to join in it, 2 years later, amend the regulation and in effect make it impossible for you to operate outside the program.

Either the program is not voluntary or the amendment of last August 1 denying the subsidy to those who are not in the program is illegal.

There is some inconsistency in the two regulations.

Mr. MONRONEY. Are you bound now by the 70-percent limitation on the imports?

Mr. DUKE. At this time, no, sir; we do not take part in the pooling at all.

Mr. MONRONEY. Well, those that do, if they are bound by the 70 percent, they get the subsidy; is that right?

Mr. DUKE. That is right.

Mr. MONRONEY. Those that are not, do not get it?

Mr. DUKE. That is right.

Mr. MONRONEY. As a matter of fact, those that do get the subsidy have limited their volume—cut it down by 30 percent in the process?

Mr. DUKE. In the 17 Atlantic coastal States, that is right, sir.

Mr. MONRONEY. Do you feel you should be allowed to import all you want to and still get the subsidy?

Mr. DUKE. No; I feel it is not proper to ask one oil company to limit its operation to 70 percent of normal when the mass of the industry is running at 150 percent of normal.

Mr. MONRONEY. What I am talking about is those that are in the pool drawing this subsidy. Are any of them running in this area covered by the subsidy at more than 70 percent?

Mr. DUKE. Of normal?

Mr. MONRONEY. Yes.

Mr. DUKE. I think the figures in a case in South Carolina recently very safely indicate there is quite some variation in those who do receive the subsidy as to the volume of business they are doing now, related to the normal 1941 year, sir; so the answer to your question, sir, the companies are being paid whose percentage does differ from their basic 1941 gallonage, and considerably, sir. In fact, I think P. A. W.'s own figures to the Department of Justice in the *South Carolina case* indicates that one concern is doing 101 percent of normal and are being paid the subsidy for all they bring in.

Mr. MONRONEY. Their quotas have been gaged, I presume, by the demands in that area? That might be some reason for that.

Mr. DUKE. That could be.

Mr. MONRONEY. But what your amendment would do—for instance, I have an oil refinery at Beaumont, Tex.; for instance, I can bring in any number of barrels of oil, if I wish, to, we will say, Savannah, Ga., and the P. A. W. would have to pay me the subsidy on the number of barrels that I transport; is that right?

Mr. DUKE. Well, D. S. C. would pay it.

Mr. MONRONEY. Well, I mean, they would have to approve it?

Mr. DUKE. And you can be certain, sir, that nobody is going to bring more oil into an area than there is a market for or that there are coupons issued to absorb, and we have long felt that the theory of dual rationing that you have by the allocation system, as well as the coupon throw-back rationing, is very peculiar to the oil business, and we have lots of ideas as to why it is on there; but, again, I would not think it fair to take up the time of the committee to go into it; I had hoped and intended to do so, but it is a little more voluminous than the time here today would permit, in courtesy to you gentlemen.

In other words, the directive 59 pooling program, briefly, the need for it in the beginning, was shortage of transportation—the preamble and everything in it said that; but it happened to turn out to be a very handy device for those who had sufficient volume of business to throttle and otherwise regulate the flow of supplies and otherwise peg the markets when there was an insufficient supply in the area; and, having no free competition, that lined the pockets of most of the larger producers with gold; and the ones having observed that the incidental effect of directive 59 were of a nature to fatten their pocket-books very substantially, when the need no longer existed for regulations, some means was found, for the past couple of years, to continue that directive 58 allocation system of product in the 17 Atlantic Coast States; and I think that any thinking person in the oil business will agree that the need that once existed has long since changed, sir, but that gets into some very detailed discussions as to the whys and wherefores of the directive 58 is or is not any longer necessary.

We frankly and sincerely believe it is not. We have many others, and not just the small companies, some of the large ones, who likewise agree that it is unnecessary and has long since ceased to be necessary; but it has been very profitable to the larger companies, who generally control the issuance of directives by the ex-employees or current employees on leave being with P. A. W.

Mr. MONRONEY. The effect of your amendment would be that there could be any amount of oil imported at the discretion of the importer and that the transportation subsidy would be paid to him as well as to the others?

Mr. DUKE. Provided he used the efficient means as did the other company.

Mr. MONRONEY. Without any historic base or limitation?

Mr. DUKE. That is my opinion, sir.

Mr. MONRONEY. That is all.

Mr. BROWN. Mr. Folger?

Mr. FOLGER. What objections do you say you have to joining the pool?

Mr. DUKE. Mr. Folger, a very brief one is this—that if you happen to market, as those I am speaking for here today, and as my own company does, in only the Atlantic Coastal States, we knew that we were taking the greatest brunt of the lesser amount of oil available in the 48 United States, because originally our shortage was due to a lack of sufficient transportation to bring it in. Subsequently, of course, it became a matter of tires, presumably. But we still have a situation on the Atlantic coast where, if I agree to join in this pooling program, I am freely agreeing to limit my operations to a position of about 70 percent of normal; whereas we feel that that is unfair to those of us who happen to be confined to the 17 Atlantic Coastal States, when oil companies, as a whole, those operating in the 17 Atlantic Coast States as well as those in the other 33 States, are operating at a level at least one and a half times normal; and I therefore chose, when I was told that we need not join into this voluntary pooling of supplies unless we wished to do so, to stay out of it in hopes that I might go in and come out of the war on the same relative level as the rest of the industry—some of them come out 150 percent of normal, and we come out 70 percent of normal; that was my basic reason for not wishing to take part in it. We were told it was not essential we do so, and we are still told so.

Mr. FOLGER. The creation of the pool was said to have been in the interests of transportation?

Mr. DUKE. Right, sir; and we are told that subsequently the rationing of products has been largely the matter of not the shortage of transportation—presumably that has been equalized around the country—but to conserve supplies and spread this burden over all 48 States and not just the 17 Atlantic Coastal States; but the directive which was issued to take care of these Atlantic Coast States—and it may be significant that it is not effective in any of the others of the 31 States—it became very obvious to most of the large companies, and I do not think any will deny it, that the incidental effects of directive 58 was to stabilize markets when obviously there were not sufficient supplies there, and obviously there were no sales below ceiling prices, and there are not today, that you could do away with your normal expectancy that one company would bid for the business of another,

and in many cases some of these larger jobbers got a half or quarter of a cent a gallon over the market—there was not enough supply in there; you could not shift from one supplier to another, because if you quit the supplier that you now have the other man could not take care of it—and my point is, sir, that when the need for directive 59 ceased to exist, that the incidental effects had become apparent to the oil companies to the extent that they wished to preserve or find some justification for the continuation of directive 59, which no longer was necessary.

Mr. FOLGER. That is all I have.

Mr. PATMAN. Mr. Riley, do you have a question?

Mr. RILEY. Mr. Duke, does this condition exist anywhere but in the Southern States?

Mr. DUKE. As far as I know, Mr. Riley, this condition exists in all the 17 Atlantic Coastal States.

Mr. RILEY. Well, I mean—I said “Atlantic Coastal States.” I should have used that term. What about the Middle States and the Western States? Did they pool their resources also?

Mr. DUKE. Not insofar as I know; no, sir. I think it is only applicable in the 17 Atlantic Coastal States.

Mr. RILEY. And it was first put into effect to control the transportation situation; is that right?

Mr. DUKE. That is right.

Mr. RILEY. What other companies do you represent besides the Southeastern Oil Co. of Jacksonville, and where are they located?

Mr. DUKE. I received a wire today—or yesterday, I should say, to speak for the High Grade Oil Co. at Hartford, Conn., the reason being given here that Mrs. Woodhouse had asked that we not duplicate testimony and that the testimony they were to give was similar to that which I was to present; and the Power Oil Co. of Orangeburg, S. C., made a similar request—that to avoid a duplication of testimony we speak for them as well as for ourselves.

Those are the only two that I have specifically been asked to speak for.

Mr. RILEY. Your operations are restricted to just a few States, are they?

Mr. DUKE. To the four Southern States—Georgia, Florida, North and South Carolina.

Mr. RILEY. And these other companies are likewise restricted to a small territory?

Mr. DUKE. I am sure that the South Carolina firm is restricted to that one State, I believe, and the Connecticut firm likewise to the one State; yes, sir.

Mr. RILEY. As I understand, your point is that the larger oil companies who operate all over the United States have territory in which they are not restricted like they are in the Eastern States?

Mr. DUKE. Yes, sir.

Mr. RILEY. That is all, Mr. Chairman.

Mr. MONRONEY. Could I ask another question?

Mr. PATMAN. Go right ahead.

Mr. MONRONEY. What is the relative cost of importing oil now from Texas into your territory as compared with the cost before December 7, 1941?

Mr. DUKE. The average, Mr. Monroney, in the South Atlantic Coastal States, was about 1½ cents a gallon higher than the normal method of moving by tanker.

Mr. MONRONEY. Is it still that?

Mr. DUKE. It is still about the same thing, sir. Now, remember that when you stop it at some point, for instance, such as Jacksonville, it is less than if you move it up the coast as far as Wilmington, but the average of the receipts in the four South Atlantic States is about a cent and a half higher, which is still true.

Mr. MONRONEY. In other words, you do not feel that we can do away with the transportation subsidy for a while?

Mr. DUKE. No, sir; I do not advocate that the subsidy bill is not necessary. I fully agree that the subsidy bill is undoubtedly necessary, and the only means of otherwise taking care of the importation of oil would be to raise the price to the consumer which is to be avoided and I understand that, sir.

Mr. MONRONEY. In other words, oil is moving by water, is it not?

Mr. DUKE. I would say civilian supplies are still moving by alternative means rather than by tanker. That is particularly true in our area. I am very sure, as far as gasoline is concerned, perhaps a little fuel oil may move by marine transportation but not the bulk of the product for civilians in that section; no, sir. It is still moving by barge, pipe line, railroad tank car, and other alternative facilities.

Mr. MONRONEY. That is all.

Mr. PATMAN. Thank you very much, Mr. Duke.

Mr. FOLGER. I have a question, Mr. Chairman.

You were limited as to time for a statement. I was wondering if you might not put in writing what you have to say.

Mr. DUKE. I did think, sir, it might give the committee a much clearer understanding, since time was so short, and they got a rather garbled opinion, if I gave them a written report of it and if they wish to have it, I will be glad to do so.

Mr. PATMAN. Without objection, you may put in the record what you would like to put in.

Mr. DUKE. You mean at a later date?

Mr. PATMAN. Either now or later.

Mr. DUKE. Because I did not bring any prepared statement.

Mr. PATMAN. You may prepare it and sent it in.

Mr. DUKE. Thank you very kindly for the opportunity, sir.

Mr. PATMAN. The Chair desires to announce that this will be taken up at the call of the Chair, and, without objection, the meeting will stand adjourned until 10:30 tomorrow morning, at which time we will take up the Bretton Woods proposal with Mr. William Green as the first witness.

(Whereupon, at 5 p. m., April 26, 1945, the committee adjourned, to reconvene at the call of the Chair.)

(The following statements and letters were later received for the record:)

STATEMENT OF H. CLAY JOHNSON, VICE PRESIDENT AND GENERAL COUNSEL OF RUBBER RESERVE COMPANY AND MEMBER OF THE BOARD OF DIRECTORS AND GENERAL COUNSEL OF RUBBER DEVELOPMENT CORPORATION

Item 2 under subparagraph (b) of S. 502, as passed by the Senate with amendments on March 15, 1945, provides for a limit of \$60,000,000 with respect to anticipated losses in handling rubber and rubber products produced in foreign countries.

This item pertains only to natural rubber and natural-rubber products. Such item relates to the joint activities of both Rubber Development Corporation and Rubber Reserve Company, which activities must be considered in combination because of the fact that Rubber Development Corporation handles the procurement and importation of natural rubber in foreign countries and Rubber Reserve Company the domestic distribution and sale of such natural rubber. The losses incurred through these combination activities are thus partly absorbed by Rubber Development Corporation in the sale of the rubber to Rubber Reserve Company and further absorbed in its resale by Rubber Reserve Company to rubber manufacturers.

The \$60,000,000 figure is based upon the total cost of acquisition of natural rubber in each producing area, including an amortization factor for certain developmental expenditures.

The average cost of natural rubber procured in Central and South America, computed on an average basis over the entire 5-year program projected to December 31, 1946, is approximately 72 cents per pound, including both base cost and development expense. The average cost computed in the same manner for natural rubber originating from the Firestone Plantations in Liberia is approximately 30 cents per pound and for other African rubber about 28 cents per pound.

For the fiscal year 1946, it is estimated that the natural rubber imports from all of Latin America will aggregate 30,000 long tons, exclusive of guayule rubber to be imported from Mexico which is estimated at 11,000 long tons. The estimated quantity to be imported from Liberia is 17,500 tons and from other African areas 25,000 long tons. Rubber Development Corporation also imports tires and tubes manufactured in Brazil. The estimated gross expenditure for imported natural rubber, computed on the foregoing basis, for the fiscal year 1946 is \$93,000,000 and the estimated gross expenditure for imported tires and tubes is \$15,000,000, making the total expenditure \$108,000,000.

Based upon the resale of the natural rubber by Rubber Reserve Company at the established price of 22½ cents per pound (base grade) and the resale of the tires and tubes at established domestic prices, the estimated gross recovery from the resale of natural rubber imported during the fiscal year 1946 will be \$31,000,000, and from the resale of tires and tubes will be \$10,000,000, making the total recovery \$41,000,000. Under the existing arrangement between Rubber Reserve Company and the various wartime procurement agencies of the Federal Government, Rubber Reserve Company collects an additional 17½ cents per pound for natural rubber going into war orders (at the present time approximately 60 percent of the imported natural rubber goes into war orders as distinguished from civilian orders). Thus, it is expected that Rubber Reserve Company will recover from such procurement agencies an additional \$16,000,000 for the fiscal year 1946, making the gross recovery from all sources approximately \$57,000,000. After subtracting the estimated gross recovery of \$57,000,000 from the estimated total expenditure of \$108,000,000, there is left a total anticipated loss of about \$51,000,000. This includes no provision for anticipated losses with respect to rubber imported from the areas to be reoccupied in the Far East. Because of the uncertainty surrounding the cost aspects of the future importations of rubber from the Far East, we have added a contingency loss factor of \$9,000,000, making the total anticipated loss figure \$60,000,000, which is the figure contained in item 2 under subparagraph (b) of S. 502.

Rubber Reserve Company has not regarded either the Emergency Price Control Act of 1942, as amended, or S. 502 as being applicable to the Government's synthetic rubber program inasmuch as the synthetic rubber distributed and sold by Rubber Reserve Company is produced directly for its account in Government-owned plants and is not purchased for the purpose of resale at a loss. Accordingly, the \$60,000,000 limit contained in item 2 of subparagraph (b) of S. 502 applies only to anticipated losses in connection with natural rubber and not to anticipated losses in connection with synthetic rubber.

STATEMENT OF REID ROBINSON, PRESIDENT, INTERNATIONAL UNION OF MINE, MILL AND SMELTER WORKERS, CONGRESS OF INDUSTRIAL ORGANIZATIONS, BEFORE HOUSE BANKING AND CURRENCY COMMITTEE IN SUPPORT OF EXTENSION OF PREMIUM-PRICE PLAN FOR COPPER, LEAD, AND ZINC

My organization, the International Union of Mine, Mill and Smelter Workers, affiliated with the Congress of Industrial Organizations, represents the workers in the nonferrous metals industry of the United States and Canada.

In urging the enactment of S. 502, I especially wish to make clear the position of our international union in regard to the extension of the premium-price plan for copper, lead, and zinc.

In order that you may have a better understanding of our interest in the proposed legislation under discussion, I shall review briefly the union's position regarding the premium-price plan in the past.

Just before this country entered the war we faced a critical shortage of vital nonferrous metals. The Nation had to devise plans to meet the enormous demand for these metals for war production. At that time our union took a firm stand against general price increases because we did not believe that that was the way to get increased production. I quote the following from the union's production-for-victory program released to the Nation on December 8, 1941:

"It is our position that no price increase should be given except deliberately and directly as payment for additional production to each individual producer for amounts above an established quota. In the case of proved high-cost, marginal producers an outright subsidy may be permissible supplemented with a guaranty that it will be maintained long enough—2 or 3 years—to enable the operators to make the improvements and investments necessary and possible only under long-term operations. But the operator should be made to guarantee that such steps will be taken.

"Thus used, the price increase becomes a direct payment for each and every producer for production above and beyond present levels. It would not increase profits for copper already being profitably produced at 12 cents a pound. This is paying for what you get, not for a promise."

Later, in December 1941, our union's representative appeared before the Truman committee and presented our views on how to increase the output of nonferrous metals for war and urged the adoption of the premium-price plan. In February 1942 the Government put this plan into effect.

The experience of the past 3 years of war has demonstrated beyond the shadow of a doubt the tremendous value of this plan to the Nation. In the production crisis the huge requirements for metals were successfully met at a cost to the Government that was not exorbitant. A distinguished member of your committee, the Honorable Wright Patman, has shown more conclusively than I could the money-saving value of this plan to our country. From Mr. Patman's remarks inserted in the appendix of the Congressional Record of January 31, 1945, I quote the following very significant statements:

"This program [the premium-price plan for copper, lead, and zinc] it is estimated has saved this Nation and its taxpayers the stupendous sum of approximately \$2,000,000,000; and has done this in return for a cash investment by the Government of less than \$175,000,000.

* * * * *

"I have it on the highest authority from leaders in the industry and in government that this particular program has served to prevent what might have well been inflation of the most explosive type in the mining and smelting industry. Without this program, I am told, we would not have been able to avoid serious wage disputes, crippling production shortages, and all of the uncertainty which accompanies a situation where adequate supplies of critical materials cannot be ascertained and counted on in advance of actual use."

It is inconceivable to us that anyone should seriously suggest giving up at this time a device that has proved to be so great a benefit to the people of this country. Our organization is proud of the fact that we promoted the adoption of this plan from the very beginning of the war, and that we did this in the national interest and not from motives of narrow self-interest.

Let us keep in mind that we still have a major war to win. We must keep munitions flowing to the war fronts in ever-increasing abundance in order to save American lives. Even now we are faced with a growing shortage of nonferrous metals. Within the past few weeks representatives of our union were called to Washington to advise the War Production Board on means to increase the production of these metals. If subsidies were removed now we would be confronted with the threat of widespread curtailment of production and a resulting shortage of materials necessary to meet war requirements and reconversion needs to achieve our objectives of full employment.

What have the opponents of subsidies to offer as an alternative way to meet war and reconversion requirements? They can suggest only the raising of general price levels. It is as evident to us now as it was when the war started, that price increases will not achieve the necessary output; but rather they will lead to the pyramiding of charges by smelters, railroads, power companies and landowners,

because, like the old sliding scale of wages, these charges are based upon metal prices and they increase as metal prices increase. With such an inflationary drive started in raw materials it will be impossible for the Office of Price Administration to maintain ceiling prices on the end products. As a result, consumer demand in the reconversion period will be discouraged and the prospects for full employment diminished.

We believe that it is the responsibility of the Government not only to assure adequate supplies of metals for war and essential civilian requirements but also to see that a sufficient supply of metals will be on hand to effect a smooth and speedy reconversion to peacetime production at prices that stimulate consumer demand and contribute to full employment. It is our conviction that this can best be done through the extension of the premium-price plan.

This plan which has proved to be so successful during the war in terms of increased production and price stability can be just as successful in terms of the peacetime problems that our industry faces.

A question that should be of primary concern to the Government in connection with the legislation under consideration, is the question of the need for conservation of our mineral resources, particularly copper, lead, and zinc. If subsidies are removed many high-cost but efficiently operated copper, lead and zinc mines would have to shut down. Shut-downs in many instances, particularly in the deep copper mines, would mean the loss of large ore reserves. The deep mines would fill with water and caving would result. It would be practically impossible to reopen such mines if at some future time the remaining ore reserves become vital to the Nation's security and welfare.

I want to emphasize here that the cost differentials between mines producing the same metals are wide and relatively fixed because they depend for the most part upon the character of the particular mineral deposit—grade of ore, width of vein, etc.—or upon the kind of mining techniques which can be used to exploit the deposit—stoping, block caving, or open-pit steam shoveling. As a result, competition in the metal-mining industry in contrast to competition in manufacturing does not tend to equalize costs as between different producing units. Nature rather than management makes a mine high cost or low cost.

Experience during this war has sharpened the realization that our reserves of nonferrous metals are nearing the point of exhaustion. The most authoritative study on the subject that I can refer to at this time was presented by Elmer W. Pehrson, Chief of the Economics and Statistics Branch of the Bureau of Mines, to a meeting of the New York section of the American Institute of Mining and Metallurgical Engineers on February 19, 1945, and published in part in the April issue of Mining and Metallurgy. I wish to quote the section of Mr. Pehrson's report which deals with the reserves of copper, lead, and zinc in the United States:

"Copper reserves as of 1944 have been estimated at 20,000,000 short tons of recoverable metal under conditions prevailing at that time. Since they include some reserves available only at premium prices they may be considered as a generous appraisal of commercial reserves under normal conditions. Twenty-five percent of the tonnage is classed as inferred. It is estimated that production could be maintained at the rate of 1,000,000 tons per year for nearly 10 years following which there would be a gradual decline to exhaustion. Submarginal resources have been estimated at 10,000,000 tons of copper contained in 1.25 billion tons of material.

"Estimated reserves of 6-cent lead under pre-war operating conditions were only 5,000,000 short tons in 1944, of which only a third was classed as measured and indicated. Under emergency conditions the total reserve, including the 6-cent lead, was estimated at only 6,600,000 tons. Peak war production in 1942 was 27 percent below the all-time peak established in 1925.

"The quantity of zinc available at 6 cents in the reserves estimated as of 1944 was 11,200,000 tons of recoverable metal, more than half of which was in inferred ore. Under emergency prices the total reserves was believed to contain nearly 17,000,000 tons.

"Production of lead and zinc may be expected to decline within a few years. Zinc has been particularly affected by depletion in the tri-State district, which produced over 400,000 tons or 55 percent of the total output of the country in 1926, contributed only 200,000 tons or 27 percent of the total in 1943. A substantial part of the district's output during the war has required premium prices, and an abrupt drop is anticipated with a return to peacetime conditions after the war. Without exception, all the important lead-producing districts that contributed to the record output of 1925 produced considerably less lead in 1942."

In formulating its post-war plan, our union estimated the amount of nonferrous metals that would be required after the war to meet the demands of the

fabricating and consuming industries in an economy of full employment. The results of our investigation showed that in a period of full employment the annual consumption of copper would amount to 1,500,000 tons; lead, 1,070,000 tons; and zinc, 1,130,000 tons. At this level of consumption, a level, incidentally, that is beyond the capacity of our domestic mines to supply even with a subsidy system, it is evident from Mr. Pehrson's study that our commercial reserves of nonferrous metals will be exhausted in a relatively short time.

In the interests of the national security and welfare we would recommend that the Government adopt a policy of conservation of our irreplaceable mineral resources and set up the necessary machinery to implement this policy. Through a device such as the premium price plan, subsidies could be paid to individual operations that are commercially unfeasible in peacetime but whose ore reserves are considered worth saving and would otherwise be lost.

We are pleased to note that in the bill under consideration a provision has been included with reference to certain bauxite mines which is in line with our proposals on conservation. A similar policy should be adopted also in regard to copper, lead, and zinc. Until the Government adopts such a policy for all important minerals, we urge that the premium price plan be extended to serve as a conservation measure in the interim period.

As I have previously stated, the union's estimate of the post-war demand for nonferrous metals indicates that in a period of full employment domestic supply will fall short of requirements by a considerable amount. This means we will have to continue to import large quantities of metal. As you know, metals bought by the Government during the war have entered the country duty-free. It is assumed that as soon as the Government discontinues procuring metals abroad for war requirements the tariff will again be placed in effect. This will have the effect of forcing up the price of metals if the demand is greater than our domestic producers can supply. The result will be a further restriction in the use of metals in the reconversion and post-war period and consequently lessening of the prospects for full employment.

It is the union's opinion that a tariff which leads to a general increase in price provides unnecessary protection for low-cost producers and is a source of windfall profits to special producers at the expense of other members of the industry and ultimately at the expense of final consumers of products made from the protected metals. In this connection, the experience under the copper excise tax of 4 cents per pound inaugurated in 1932 and renewed periodically by Congress is illuminating. This tariff was never fully effective; that is, the American price never was 4 cents above the London price (where no tariff exists). As a matter of fact, during the period 1932-39 the difference between the American price of copper and the London price averaged less than 1 cent. The high-cost producers, therefore, received little or no benefit from the tariff. The low-cost producers could sell their peak output at prices reflecting a smaller protection. The net effect was to create unnecessarily high profits for the large low-cost producers while giving no direct aid to high-cost producers and at the same time invite increased tariffs by other countries on American products in retaliation for shutting out their copper or other products, which directly reduced employment in American exporting industries and indirectly reduced the domestic market demand for copper and other materials.

It is our contention that war experience under the premium price plan for copper, lead, and zinc has demonstrated the advantages of selective pricing through direct subsidies over a price system based on tariff protection which takes no account of wide and fixed differences in cost as between different supplying units in the industry. We believe that a selective-pricing system in the reconversion and post-war period will prevent unnecessary and excessive profits going to a few low-cost producers and will at the same time encourage, through lower sales prices, a healthy expansion of metal consumption.

We know that only through greatly increased foreign trade will our members in the nonferrous metals industry realize full employment at good wages in the post-war period. Our members in Canada, our members working on foreign concentrates at smelters and refineries in this country, and our members in the fabricating and die-casting end of the industry certainly cannot benefit from high tariffs, increased prices, and restricted supplies of metals. Only with increased consumption of metals induced by low prices, and with greatly increased export of durable goods can the workers in our industry expect full employment. Therefore, we urge the use of the premium price plan in place of the tariff as a means of protecting high-cost domestic producers.

To briefly sum up, the International Union of Mine, Mill, and Smelter Workers urges the extension of the premium-price plan for copper, lead, and zinc, first, to insure an adequate supply of metals for war requirements; second, to insure an adequate supply of metals for a smooth and speedy change to civilian production as soon as cut-backs occur; third, to prevent disastrous inflation in the reconversion and immediate post-war period and to encourage consumer demand for durable goods through controlled prices; fourth, to protect the high-cost producers without unnecessary windfall profits for the low-cost producers; and, finally, to prevent the loss of irreplaceable mineral resources as the result of mine shut-downs.

DEPARTMENT OF STATE,
Washington, March 26, 1945.

The Honorable BRENT SPENCE,
*Chairman, Banking and Currency Committee,
House of Representatives, Washington, D. C.*

MY DEAR MR. SPENCE: I am informed that Senate bill 502 was referred to your committee on March 16, 1945. I note that the bill contains the following provision with respect to copper, lead, and zinc:

"Provided further, That the premium price plan for copper, lead, and zinc shall be extended until June 30, 1946, on the same terms as heretofore, except that all classes of premiums shall be noncancelable unless necessary in order to make individual adjustments of income to specific mines."

The Department has carefully considered this provision. We find that the great bulk of foreign procurement of copper, lead, and zinc is currently handled on a 90-day cancellation basis, while the purpose of Senate bill 502 is to assure domestic producers of the continuance of subsidies, substantially on the present basis, until June 30, 1946. All of the arguments advanced in the report of the Senate Banking and Currency Committee for lengthening the terms of notice before cancellation of any class of subsidy payments appear to us to apply equally in the case of foreign producers.

It is my considered opinion that to guarantee subsidies on the present scale to domestic producers for more than a year, while commitments to suppliers in foreign countries are limited to a 3-month period, would have the effect of confining any necessary reductions in the procurement of these metals to foreign suppliers until June 30, 1946, regardless of relative cost. It is readily conceivable that as a consequence this Government might be obliged to continue purchasing, for example, domestic copper at prices as high as 27 cents per pound and be obliged at the same time to refrain from purchasing copper produced abroad offered for sale at 12 cents per pound or less. This would have the effect of raising the tariff on copper to 15 cents per pound or more for a limited period of time, as compared to the existing excise tax of 4 cents per pound. I feel sure that you can readily visualize the effects of such action on the other American republics and, indeed, all the United Nations.

The State Department is of the opinion that the policy now followed by the procurement agencies of purchasing the necessary quantities of minerals, so far as is consistent with military prudence, from the cheapest sources, domestic or foreign, allowing for existing tariff legislation, is fair and nondiscriminatory. When and if changes in circumstances require reductions in procurement, wherever feasible higher cost commitments, domestic or foreign, should be modified or terminated first. This policy has been followed with respect to other metals and minerals, such as tungsten and mercury, when it was decided that the supply-requirements situation was sufficiently easy to reduce prices and subsidies and discontinue Government procurement.

If your committee holds hearings on Senate bill 502, this Department requests that a representative be afforded the opportunity to state the views of the Department, with particular reference to the proviso relating to the premium price plan for copper, lead, and zinc.

I enclose copy of a letter from the Director of the Bureau of the Budget informing the Department that there is no objection to the submission of this report.

Sincerely yours,

JOSEPH C. GREW, *Acting Secretary.*

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D. C., March 22, 1945.

The honorable the SECRETARY OF STATE.

MY DEAR MR. SECRETARY: This will acknowledge the receipt of a copy of the report which you propose to present to the chairman of the House Banking and Currency Committee relative to the following provision of S. 502, a bill which proposes to continue subsidy payments and certain purchase and sale operations by subsidiaries of the Reconstruction Finance Corporation: "Provided further, That the premium-price plan for copper, lead, and zinc shall be extended until June 30, 1946, on the same terms as heretofore, except that all classes of premiums shall be noncancelable unless necessary in order to make individual adjustments of income to specific mines."

Your proposed report discusses the relation of domestic and foreign mineral producers in the light of the present procurement policy and this proposed provision and concludes with a statement of the Department's view that the policy now followed of purchasing necessary quantities of minerals, so far as is consistent with military prudence, from the cheapest sources, domestic or foreign, is fair and nondiscriminatory and ought to be continued.

In reply, you are advised that there would be no objection to the presentation of this view to the committee.

Very truly yours,

HAROLD D. SMITH, *Director.*

WAR PRODUCTION BOARD,
Washington, D. C., March 26, 1945.

HON. BRENT SPENCE,
*Chairman, Committee on Banking and Currency,
House of Representatives.*

DEAR MR. SPENCE: Members of the committee staff have asked our views on various bills (H. R. 2455, H. R. 2456, H. R. 2539, and S. 502) to permit the continuation of certain subsidy payments with respect to strategic metals and minerals and petroleum and petroleum products. The War Production Board is in accord with the general purpose of these bills.

It is our view that the specific provisos of these bills relating to the extension of the premium price plan for copper, lead, and zinc are not necessary from the standpoint of securing the copper, lead, and zinc that may be required to support war production. An authorization to continue the premium-price plan until June 30, 1946, would serve all war purposes. A provision that the basic A premiums could not be canceled prior to June 30, 1946, while unnecessary, would not be troublesome. The other language in the provisos is not necessary to the war effort and might cause serious administrative difficulties.

We have seen no evidence that the cancellation provisions now in effect have discouraged production from mines operating under the premium-price plan. Generally speaking, we believe the cancellation provisions, which now give 30 days' notice and which we believe should be revised to 60 days, tend to encourage miners operating under B, C, or special copper quotas to mine at as rapid a rate as possible, a desirable situation at the present stage of the war.

Because of the urgency of the matter, it has not been possible to ascertain from the Bureau of the Budget whether the proposed legislation is in accord with the program of the President.

Sincerely yours,

J. A. KRUG, *Chairman.*

FEDERAL LOAN AGENCY,
Washington, March 21, 1945.

HON. BRENT SPENCE,
*Chairman, Banking and Currency Committee,
House of Representatives, Washington, D. C.*

DEAR MR. CHAIRMAN: There has been referred to your committee for consideration, I am advised, the bill S. 502, as passed by the Senate with amendments on March 15, 1945, which will permit the continuation after June 30, 1945, of certain subsidy payments.

An immediate problem has arisen in connection with the flour subsidy being paid by Reconstruction Finance Corporation through its subsidiary, Defense Supplies Corporation, which makes it desirable for consideration of S. 502 to be expedited in order to permit millers to continue their usual practice of making forward sales of flour. The flour subsidy was set up on a basis which entitles a substantial number of millers to collect subsidy payments for varying periods up to 120 days after the termination of the program. Since the termination of the program at this time appeared unwise, Defense Supplies Corporation instead recently notified the millers that payments of the subsidy on the forward sales of flour ground after June 30, 1945, could be made only from such funds as may hereafter be made available by the Congress for this purpose. Thus, those millers which have made forward sales of flour approximating their grinding capacity up to June 30, 1945, are confronted with an immediate problem as to the booking of any additional business.

A full explanation of the operations of the Reconstruction Finance Corporation and the Foreign Economic Administration affected is contained in the hearings before the Senate Banking and Currency Committee on S. 502. We believe that the amounts provided by the Senate committee were fully justified by representatives of Reconstruction Finance Corporation, Foreign Economic Administration, Office of Price Administration, and Office of Economic Stabilization who appeared before the Senate committee.

It occurs to me, therefore, that your committee may wish to confine its hearing on S. 502 largely to the amendment added by the Senate committee after its hearings were completed regarding an extension of the copper, lead, and zinc premium price plan without change until June 30, 1946, and the further amendment added on the floor of the Senate with reference to the continued purchase by Metals Reserve Company of bauxite from underground mines on the recommendation of the Bureau of Mines of the Department of the Interior.

Since the copper, lead, and zinc premium price plan was undertaken by Metals Reserve Company on a joint recommendation of the War Production Board and the Office of Price Administration, your committee may wish to hear representatives of those agencies on that amendment. On the bauxite amendment your committee may wish to hear representatives of the War Production Board and the Department of the Interior. Needless to say, representatives of the Reconstruction Finance Corporation will be prepared to furnish any additional information your committee may desire with regard to its operations as they may be affected by the bill, as is the case, we are sure, with respect to representatives of the Foreign Economic Administration.

Sincerely yours,

FRED M. VINSON, *Administrator.*

UNITED STATES SENATE,
COMMITTEE ON THE JUDICIARY,
April 28, 1945.

HON. BRENT SPENCE,
*Chairman, House Banking and Currency Committee,
Washington, D. C.*

DEAR CONGRESSMAN SPENCE: I am informed that Office of Price Administration officials testified against the noncancellation clause for metals and minerals subsidies in S. 502 at the hearings before your committee yesterday.

We would not have asked for this clause had it not been for the fact that the departments concerned were not willing to tell us what their policy would be in regard to subsidies for metals and minerals. Our people in the West, in response to a demand by our Government for an increase in production of strategic minerals, have expended a large amount of money for development in order to meet this request. This was done at a time when it was not possible to import these minerals and metals from other countries because of the shipping hazards.

We feel that it is fair that these subsidies should be continued for a definite period of time so that our people may know just where they stand. The mining industry is hazardous at the best. Ore bodies must be developed and blocked out in advance before they can be mined. Substantial expenditures are necessary for that purpose before the mineral is available and ready for sale. A 30-day cancellation clause is not sufficient, in that it does not give time to mine and dispose of minerals for which money had already been spent for such development and preliminary work. Furthermore, in the instance of copper, more than 90 days

elapse from the date the ore is mined until it is treated, shipped, refined, and in condition for sale. Consequently, any cancelation clause of less than 90 days from the date the ore is mined would leave a producer with copper on his hands without benefit of premium that he had mined in good faith at the urgent request of the Government.

However, even 90 days' notice would not permit the making of definite plans to effectively and efficiently carry on mining operation and would not permit the recovery of the money expended for developing and blocking our ore. Because of the peculiarities of mining, they will need to know in advance that they will have a full year in order to properly plan to prevent loss.

Therefore, I would appreciate your giving the opportunity for the presentation of testimony outlining our views on this subject. I told Congressman Harless and Congressman Engle that I was willing to personally come before your committee and explain the reasons why we placed this clause in the Senate bill, but I have hesitated to request this privilege for the reason that I do not presume to know more about the subject than you or the other Congressmen. I am still willing to do this but consider it more important that we be allowed to have expert testimony from those who are making a study of the subject.

I will appreciate whatever consideration your committee gives this question, whether you allow more testimony or not, as it is very important to this industry.

With kindest regards, I remain,

Sincerely yours.

ERNEST W. MCFARLAND.

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OFFICE OF BUDGET AND FINANCE
Legislative Reports and Service Section

79th-1st, No.86

DIGEST OF PROCEEDINGS OF CONGRESS OF INTEREST TO THE DEPARTMENT OF AGRICULTURE
(Issued May 3, 1945, for actions of ~~Mad~~nesday, May 2, 1945)

(For staff of the Department only)

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HIGHLIGHTS; H. continued debate on treaty-ratification measure. H. reported bill continuing RFC's flour, meat, and butter subsidies.

HOUSE

1. TREATY RATIFICATION. Continued debate on H.J.Res. 60, to amend the Constitution so as to provide for ratification of treaties by a majority vote of both Houses of Congress (pp. 4109-50). During debate on this bill Rep. Fellows, Maine, discussed the requirements for passage of measures by FAO (p. 4114); Rep. Flannagan Va., commended the transfer of Treasury's surplus-property^{work} to Commerce, stating that "the disposal of surplus property in rural areas to farmers has been giving a good many Representatives in the farming areas a great deal of concern" (p. 4122); and Rep. Wadsworth, N.Y., discussed the confusion arising between executive agreements and treaties and mentioned reciprocal trade agreements as an example (p. 4134).
2. SUBSIDIES. Banking and Currency Committee reported with amendment S. 502, to continue RFC subsidies on rubber, petroleum, minerals, flour, butter, and meats (H. Rept. 506) (p. 4153).
3. BANKING AND CURRENCY. Received a United Nations Committee of San Fernando Valley, Calif., petition favoring the Bretton Woods proposals (p. 4153).
4. T.V.A. Rep. Kefauver, Tenn., commended President Truman's proposal to renominate ~~David~~ Lilienthal as head of TVA and inserted the late President Roosevelt's letter on the subject (p. 4152).
5. FOREIGN RELATIONS. Rep. Jonkman, Mich., criticized "bureaucratic obstruction" to foreign trade and charged that the administration is providing goods to European governments for post-war rehabilitation "under the guise that they are defense articles" (pp. 4150-2).

6. EXTENSION WORK. As reported (see Digest 85) H.R. 1690, to expand agricultural extension work, provides as follows: Authorizes appropriations of \$4,500,000 for the fiscal year 1946, \$8,500,000 for the fiscal year 1947, and \$12,500,000 for each fiscal year thereafter for further development of county-extension work in agriculture and home economics, including technical and educational assistance to farm people in improving standards of living, developing farm and home plans, better marketing and distribution of farm products, work with rural youth in 4-H clubs, and developing canning, food preservation, and nutrition programs; limits Federal administrative expenses to 2%; provides that \$500,000 annually shall be allotted without reference to provisions for offset of appropriations among the States, Hawaii, Alaska, and Puerto Rico for special needs provided that not more than 5% shall be allotted to any one State or Territory and the remainder shall be allotted on the basis of farm population.
7. APPROPRIATIONS; RESEARCH. H. Doc. 162 (see Digest 84) provides for a reduction of \$13,200,000 in the earlier appropriation estimate of \$90,700,000 for the fiscal year 1946 for the Office of Scientific Research and Development and states, "The war research program of the Office of Scientific Research and Development has been reviewed in the light of favorable progress of the war. This reduction of the estimate for the next fiscal year contemplates that the Office of Scientific Research and Development will terminate its contracts for research whenever it appears that a project cannot be completed early enough to contribute to the prosecution of the war."

ITEMS IN APPENDIX

8. FOREIGN TRADE. Rep. Jensen, Iowa, inserted C.H. Wilken's (Raw Materials Nat'l. Council, Sioux City, Iowa) testimony opposing foreign trade agreements (pp. A2176-8).
9. INFLATION. Extension of remarks of Rep. Buffett, Nebr., including A.L. Mol's (N.Y.) statement on inflation (pp. A2178-9).
10. EDUCATION. Rep. Keogh, N.Y., inserted a declaration of American universities and colleges favoring the establishment of an International Office for Education (pp. A2179-80).
Rep. Brehm, Ohio, inserted the Educational Policies Commission statement, "How to Avoid Federal Control of Education" (pp. A2194-5).
11. TENNESSEE VALLEY AUTHORITY. Rep. Flannagan, Va., inserted a Washington Post editorial on the success of the TVA (p. A2182).
Rep. Kefauver, Tenn., inserted S. R. Finley's (Electric Power Board of Chattanooga) address on Chattanooga's beneficial experience with the TVA (pp. A2186-8).
12. BANKING AND CURRENCY. Rep. Biemiller, Wis., inserted a Milwaukee Journal editorial favoring the Bretton Woods agreements (pp. A2185-6).

BILLS INTRODUCED

13. FOOD AND DRUGS. H.R. 3105, by Rep. Barry, N.Y., to amend Sec. 5(b) of the Federal Trade Commission Act so as to require publication of facts regarding violations in cases of false advertising of food, drugs, devices, and cosmetics. To Interstate and Foreign Commerce Committee. (p. 4153.)

year 1946 for certain agencies, involving a net decrease of \$68,858,300, in the form of amendments to the Budget for said fiscal year. (H. Doc. No. 165); to the Committee on Appropriations and ordered to be printed.

434. A letter from the director, National Legislative Committee of the American Legion, transmitting the final financial statement of our organization for the year ending December 31, 1944; to the Committee on World War Veterans' Legislation.

435. A letter from the Secretary of Commerce, transmitting a copy of a proposed bill to restore certain land under control of the Hawaiian Homes Commission to its previous status as public land under control of the Territory of Hawaii; to the Committee on the Territories.

436. A letter from the Postmaster General, transmitting a copy of a letter addressed to the Director of the Bureau of the Budget, certifying that the Post Office Department is within the quota set by that Bureau under date of March 19, 1945, for each of the appropriation units involved; to the Committee on the Civil Service.

437. A letter from the Acting Secretary of the Navy, transmitting a draft of a proposed bill to authorize the Coast Guard to investigate and employ new methods of promoting safety at sea and aiding navigation; to the Committee on the Merchant Marine and Fisheries.

438. A letter from the Attorney General, transmitting a report stating all of the facts and pertinent provisions of law in the cases of 406 individuals whose deportation has been suspended for more than 6 months under the authority vested in me by the said statute together with a statement of the reason for such suspension; to the Committee on Immigration and Naturalization.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. WOODRUM of Virginia: Select Committee on the Post-war Military Policy. House Report No. 505 (pt. II). Report pursuant to House Resolution 465. Referred to the Committee of the Whole House on the state of the Union.

Mr. SPENCE: Committee on Banking and Currency. S. 502. An act to permit the continuation of certain subsidy payments and certain purchase and sale operations by corporations created pursuant to section 5d (3) of the Reconstruction Finance Corporation Act, as amended, and for other purposes; with amendment (Rept. No. 506). Referred to the Committee of the Whole House on the state of the Union.

Mr. ANDREWS of New York: Committee on Military Affairs. H. R. 2322. A bill to provide for the issuance of the Mexican Border Service Medal to certain members of the Reserve forces of the Army on active duty in 1916 and 1917; without amendment (Rept. No. 507). Referred to the Committee of the Whole House on the state of the Union.

Mr. ANDREWS of New York: Committee on Military Affairs. House Joint Resolution 136. Joint resolution to provide for the establishment, management, and perpetuation of the Kermit Roosevelt fund; without amendment (Rept. No. 508). Referred to the Committee of the Whole House on the state of the Union.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. BARRETT of Wyoming:
H. R. 3101. A bill to amend section 601 (e) and (f) of the National Service Life Insurance Act of 1940; to the Committee on World War Veterans' Legislation.

By Mr. RANKIN (by request):
H. R. 3102. A bill to facilitate employment of necessary personnel in the Veterans' Administration; to the Committee on World War Veterans' Legislation.

By Mr. RANKIN:
H. R. 3103. A bill to amend the Service-men's Readjustment Act of 1944 to provide for a readjustment allowance for all veterans of World War No. 2; to the Committee on World War Veterans' Legislation.

By Mr. BARRETT of Wyoming:
H. R. 3104. A bill to amend the act of December 17, 1919, providing for the payment of 6 months' pay to dependents of officers or enlisted men whose death results from wounds or disease not the result of their own misconduct; to the Committee on Military Affairs.

By Mr. BARRY:
H. R. 3105. A bill to amend section 5 (b) of the act creating the Federal Trade Commission, so as to require publication of facts regarding violations in cases of false advertising of food, drugs, devices, and cosmetics; to the Committee on Interstate and Foreign Commerce.

By Mr. LANE:
H. R. 3106. A bill to create a Federal Civilian Retirement Administration and to transfer thereto the functions of the Civil Service Commission pertaining to civil-service-retirement activities; to the Committee on the Civil Service.

By Mr. WEISS:
H. R. 3107. A bill to provide for reducing eligible age from 65 to 60 under the provisions of Federal old-age and survivors insurance benefits; to the Committee on Ways and Means.

By Mr. POAGE:
H. Con. Res. 52. Concurrent resolution expressing the sense of the Congress relative to the termination of the colonial system in the Western Hemisphere; to the Committee on Foreign Affairs.

By Mr. KEOGH:
H. Res. 237. Resolution providing for the printing as a House document the proceedings of the launching of the U. S. S. *Franklin D. Roosevelt*; to the Committee on Printing.

By Mr. BARRY:
H. Res. 238. Resolution relative to the Jewish national home in Palestine; to the Committee on Foreign Affairs.

By Mr. PRICE of Florida:
H. Res. 239. Resolution to authorize the Committee on Interstate and Foreign Commerce to study the proposal to establish a transportation system between North America and South America by way of Jacksonville, Fla.; to the Committee on Rules.

H. Res. 240. Resolution to provide for the expenses of the study authorized by House Resolution 239; to the Committee on Accounts.

MEMORIALS

Under clause 3 of rule XXII, memorials were presented and referred as follows:

By the SPEAKER: Memorial of the Legislature of the State of New York, memorializing the President and the Congress of the United States to give immediate and favorable consideration to a revision and reclassification of the wage system of the United States Postal Service; to the Committee on the Post Office and Post Roads.

Also, memorial of the Legislature of the Territory of Hawaii, memorializing the President and the Congress of the United States to

amend the provisions of the Hawaiian Organic Act as to provide that no divorce shall be granted by the courts of the Territory unless the applicant therefor shall have resided in the Territory for 1 year next preceding the application; to the Committee on the Territories.

Also, memorial of the Legislature of the Territory of Hawaii, memorializing the President and the Congress of the United States to allow Filipino residents to become naturalized citizens of the United States of America; to the Committee on Immigration and Naturalization.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, Mr. PRICE of Florida introduced a bill (H. R. 3108) for the relief of Harvey Shields, which was referred to the Committee on Claims.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

515. By Mr. BIEMILLER: Petition of John L. May, of Milwaukee, Wis., requesting that a special investigating committee be appointed to conduct an investigation of the Veterans' Administration facility, Wood, Wis.; to the Committee on World War Veterans' Legislation.

516. By Mr. CAMPBELL: Petition of the Borough Council of Wilkesburg, Pa., on the death of our late President, Franklin Delano Roosevelt; to the Committee on Memorials.

517. By Mr. COCHRAN: Petition of James G. Shea and 26 other citizens of St. Louis, Mo., protesting against the passage of any prohibition legislation by the Congress; to the Committee on the Judiciary.

518. Also, petition of A. Moll and 31 other citizens of St. Louis, Mo., protesting against the passage of any prohibition legislation by the Congress; to the Committee on the Judiciary.

519. Also, petition of Edward G. Wolff and 28 other citizens of St. Louis, Mo., protesting against the passage of any prohibition legislation by the Congress; to the Committee on the Judiciary.

520. Also, petition of Joseph A. Pons and 28 other citizens of St. Louis, Mo., protesting against the passage of any prohibition legislation by the Congress; to the Committee on the Judiciary.

521. Also, petition of M. Petkovich and 28 other citizens of St. Louis, Mo., protesting against the passage of any prohibition legislation by the Congress; to the Committee on the Judiciary.

522. By Mr. FORAND: Petition of the General Assembly of the State of Rhode Island and Providence Plantations requesting the Senators and Representatives from Rhode Island in the Congress of the United States to take the proper steps necessary to protect and preserve the New England lace industry; to the Committee on Ways and Means.

523. By Mr. WOLFENDEN of Pennsylvania: Petition of the Woman's Christian Temperance Union of Lansdowne, Pa., signed by 17 members, urging the passage of the Bryson bill, H. R. 2082; to the Committee on the Judiciary.

524. By the SPEAKER: Petition of the United Nations Committee of the San Fernando Valley, Van Nuys, Calif., petitioning consideration of their resolution with reference to urging the Government of the United States to support House bill 2211 and Senate bill 540 and to do all in its power to make possible the Bretton Woods proposals; to the Committee on Banking and Currency.

Union Calendar No. 128

79TH CONGRESS
1ST SESSION

S. 502

[Report No. 506]

IN THE HOUSE OF REPRESENTATIVES

MARCH 16, 1945

Referred to the Committee on Banking and Currency

MAY 2, 1945

Reported with an amendment, committed to the Committee of the Whole House
on the state of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in italic]

AN ACT

To permit the continuation of certain subsidy payments and certain purchase and sale operations by corporations created pursuant to section 5d (3) of the Reconstruction Finance Corporation Act, as amended, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That the last paragraph of section 2 (c) of the Emergency
4 Price Control Act of 1942, as amended by the Stabilization
5 Extension Act of 1944, shall not apply, with respect to oper-
6 ations for the fiscal year ending June 30, 1946, to corpora-
7 tions created or operations authorized to be performed pur-
8 suant to section 5d (3) of the Reconstruction Finance
9 Corporation Act, as amended: *Provided, That with respect*

1 to such corporations and such operations the making of
2 subsidy payments and buying for resale at a loss for the
3 purpose of maintaining maximum prices established pursuant
4 to provisions of the Emergency Price Control Act of 1942,
5 as amended and supplemented, shall be limited as follows:

6 ~~(a)~~ Payments or purchases may be made after June
7 30, 1945, in such amounts as may be necessary to fulfill
8 obligations incurred prior to July 1, 1945, with respect to
9 1945 and prior fiscal year activities.

10 ~~(b)~~ Payments and purchases may be made with respect
11 to operations for the fiscal year ending June 30, 1946, which
12 involve subsidies and anticipated losses as follows:

13 ~~(1)~~ With respect to materials or commodities, other
14 than rubber and rubber products, produced outside the
15 United States, in an amount not to exceed \$80,000,000;

16 ~~(2)~~ With respect to rubber and rubber products
17 produced outside the United States, in an amount not
18 to exceed \$60,000,000;

19 ~~(3)~~ With respect to materials or commodities pro-
20 duced within the United States, as follows:

21 ~~(A)~~ Meat in an amount not to exceed \$560,-
22 000,000;

23 ~~(B)~~ Butter in an amount not to exceed
24 \$100,000,000;

(C) Flour in an amount not to exceed \$190,000,000;

(D) Petroleum and petroleum products in an amount not to exceed \$290,000,000;

(E) Copper, lead, and zinc, in the form of premium payments, in an amount not to exceed \$88,000,000; and

(F) Other materials or commodities in an amount not to exceed \$100,000,000:

Provided, That in the event the entire amount of any of the above allocations is not required for its purpose, the unused portion of such allocation, but not to exceed 10 per centum of such allocation, may be used for making such payments on and purchases of any other item or items enumerated in this Act, as may be determined by the Director of Economic Stabilization: *Provided further*, That the premium price plan for copper, lead, and zinc shall be extended until June 30, 1946, on the same terms as heretofore, except that all classes of premiums shall be non-cancelable unless necessary in order to make individual adjustments of income to specific mines; and that the Metals Reserve Company shall purchase during the fiscal year ending June 30, 1946, at its 1944 price schedule, bauxite produced from such of the underground mines as supplied

1 bauxite to the Metals Reserve Company during 1944 and
2 in such quantities as the Bureau of Mines determines as
3 being subject to permanent loss if not removed prior to June
4 30, 1946, but not to exceed, however, five hundred thousand
5 long tons.

6 *That the last paragraph of section 2 (e) of the Emergency*
7 *Price Control Act of 1942, as amended by the Stabilization*
8 *Extension Act of 1944, shall not apply, with respect to oper-*
9 *ations for the fiscal year ending June 30, 1946, to corpora-*
10 *tions created or operations authorized to be performed pur-*
11 *suant to section 5d (3) of the Reconstruction Finance*
12 *Corporation Act, as amended: Provided, That with respect*
13 *to such corporations and such operations the making of*
14 *subsidy payments and buying for resale at a loss shall be*
15 *limited as follows:*

16 *(a) Payments or purchases may be made after June*
17 *30, 1945, in such amounts as may be necessary to fulfill*
18 *obligations incurred prior to July 1, 1945, with respect to*
19 *1945 and prior fiscal year activities.*

20 *(b) Payments and purchases may be made with respect*
21 *to operations for the fiscal year ending June 30, 1946, which*
22 *involve subsidies and anticipated losses as follows:*

23 *(1) With respect to materials or commodities, other*
24 *than rubber and rubber products, produced outside the*
25 *United States, in an amount not to exceed \$80,000,000;*

(2) With respect to rubber and rubber products produced outside the United States, in an amount not to exceed \$60,000,000;

(3) With respect to materials or commodities produced within the United States, as follows:

(A) Meat in an amount not to exceed \$595,000,000;

(B) Butter in an amount not to exceed \$100,000,000;

(C) Flour in an amount not to exceed \$190,000,000;

(D) Petroleum and petroleum products in an amount not to exceed \$290,000,000;

(E) Copper, lead, and zinc, in the form of premium payments, in an amount not to exceed \$88,000,000; and

(F) Other materials or commodities in an amount not to exceed \$100,000,000:

Provided, That in the event the entire amount of any of the above allocations is not required for its purpose, the unused portion of such allocation, but not to exceed 10 per centum of such allocation, may be used for making such payments on and purchases of any other item or items enumerated in this Act, as may be determined by the Director of Economic Stabilization: Provided further, That

1 the Metals Reserve Company shall purchase during the fiscal
2 year ending June 30, 1946, at its 1944 price schedule,
3 bauxite produced from such of the underground mines as
4 supplied bauxite to the Metals Reserve Company during
5 1944 and in such quantities as the Bureau of Mines deter-
6 mines as being subject to permanent loss if not removed prior
7 to June 30, 1946, but not to exceed, however, five hundred
8 thousand long tons.

9 SEC. 2. Any slaughterer not in a class eligible for extra
10 compensation payments under Livestock Slaughter Payments
11 Regulation Numbered 3 of Defense Supplies Corporation,
12 adopted pursuant to directives of the Director of Economic
13 Stabilization, who has received or may hereafter receive such
14 subsidy payments, shall be relieved of obligation to repay the
15 amount thereof, in whole or in part, to the extent that it is
16 determined by the Director of Economic Stabilization, or any
17 agency of the Government authorized by him, that such
18 slaughterer believed reasonably and in good faith that he was
19 eligible to receive such subsidy payments for his production,
20 and that requirement of repayment would be inequitable.

Passed the Senate March 15 (legislative day, March
12), 1945.

Attest:

LESLIE L. BIFFLE,
Secretary.

AN ACT

To permit the continuation of certain subsidy payments and certain purchase and sale operations by corporations created pursuant to section 5d (3) of the Reconstruction Finance Corporation Act, as amended, and for other purposes.

MARCH 16, 1945

Referred to the Committee on Banking and Currency

MAY 2, 1945

Reported with an amendment, committed to the Committee of the Whole House on the state of the Union, and ordered to be printed

AUTHORIZING THE CONTINUATION OF CERTAIN SUBSIDIES

MAY 2, 1945.—Committed to the Committee of the Whole House on the state of
the Union and ordered to be printed

Mr. SPENCE, from the Committee on Banking and Currency,
submitted the following

REPORT

[To accompany S. 502]

The Committee on Banking and Currency, to whom was referred the bill (S. 502) to permit the continuation of certain subsidy payments and certain purchase and sale operations by corporations created pursuant to section 5 d (3) of the Reconstruction Finance Corporation Act, as amended, and for other purposes, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment strikes out all after the enacting clause and inserts the following:

That the last paragraph of section 2 (e) of the Emergency Price Control Act of 1942, as amended by the Stabilization Extension Act of 1944, shall not apply, with respect to operations for the fiscal year ending June 30, 1946, to corporations created or operations authorized to be performed pursuant to section 5d (3) of the Reconstruction Finance Corporation Act, as amended: *Provided*, That with respect to such corporations and such operations the making of subsidy payments and buying for resale at a loss shall be limited as follows:

(a) Payments or purchases may be made after June 30, 1945, in such amounts as may be necessary to fulfill obligations incurred prior to July 1, 1945, with respect to 1945 and prior fiscal year activities.

(b) Payments and purchases may be made with respect to operations for the fiscal year ending June 30, 1946, which involve subsidies and anticipated losses as follows:

(1) With respect to materials or commodities, other than rubber and rubber products, produced outside the United States, in an amount not to exceed \$80,000,000;

(2) With respect to rubber and rubber products produced outside the United States, in an amount not to exceed \$60,000,000;

(3) With respect to materials or commodities produced within the United States, as follows:

(A) Meat in an amount not to exceed \$595,000,000;

(B) Butter in an amount not to exceed \$100,000,000;

- (C) *Flour in an amount not to exceed \$190,000,000;*
- (D) *Petroleum and petroleum products in an amount not to exceed \$290,000,000;*
- (E) *Copper, lead, and zinc, in the form of premium payments, in an amount not to exceed \$88,000,000; and*
- (F) *Other materials or commodities in an amount not to exceed \$100,000,000;*

Provided, That in the event the entire amount of any of the above allocations is not required for its purpose, the unused portion of such allocation, but not to exceed 10 per centum of such allocation, may be used for making such payments on and purchases of any other item or items enumerated in this Act, as may be determined by the Director of Economic Stabilization: Provided further, That the Metals Reserve Company shall purchase during the fiscal year ending June 30, 1946, at its 1944 price schedule, bauxite produced from such of the underground mines as supplied bauxite to the Metals Reserve Company during 1944 and in such quantities as the Bureau of Mines determines as being subject to permanent loss if not removed prior to June 30, 1946, but not to exceed, however, five hundred thousand long tons.

SEC. 2. Any slaughterer not in a class eligible for extra compensation payments under Livestock Slaughter Payments Regulation No. 3 of Defense Supplies Corporation, adopted pursuant to directives of the Director of Economic Stabilization, who has received or may hereafter receive such subsidy payments, shall be relieved of obligation to repay the amount thereof, in whole or in part, to the extent that it is determined by the Director of Economic Stabilization, or any agency of the Government authorized by him, that such slaughterer believed reasonably and in good faith that he was eligible to receive such subsidy payments for his production, and that requirement of repayment would be inequitable.

The purpose of the bill is to permit the continuance for the fiscal year ending June 30, 1946, of certain subsidy payments which are now paid by corporations created under section 5d (3) of the Reconstruction Finance Corporation Act, as amended. This legislation is necessary by reason of a provision (sec. 2 (c)) which was added to the Emergency Price Control Act by the Stabilization Extension Act of last year. This provision reads as follows:

(e) After June 30, 1945, neither the Price Administrator nor the Reconstruction Finance Corporation nor any other Government corporation shall make any subsidy payments, or buy any commodities for the purpose of selling them at a loss and thereby subsidizing directly or indirectly the sale of commodities, unless the money required for such subsidies, or sale at a loss, has been appropriated by Congress for such purpose; and appropriations for such purpose are hereby authorized to be made.

The committee amendment provides that the limitations imposed by the last paragraph of section 2 (c) of the Emergency Price Control Act of 1942, as amended, shall not apply during the fiscal year ending June 30, 1946, to corporations created or operations authorized to be performed pursuant to section 5d (3) of the Reconstruction Finance Corporation Act, as amended, but that, with respect to such corporations and such operations, the making of subsidy payments and the buying for resale at a loss should be carried out subject to specified dollar limitations.

The committee amendment authorizes the making after June 30, 1945, of such payments or purchases as may be necessary to fulfill obligations incurred prior to July 1, 1945, with respect to 1945 and prior-fiscal-year activities. As to payments and purchases made with respect to operations for the fiscal year ending June 30, 1946, which involve subsidies and anticipated losses, limitations are imposed in the following amounts:

- (1) Materials and commodities, other than rubber and rubber products, produced outside the United States, \$80,000,000.
- (2) Rubber and rubber products produced outside the United States, \$60,000,000.

(3) Materials and commodities produced in the United States, as follows:

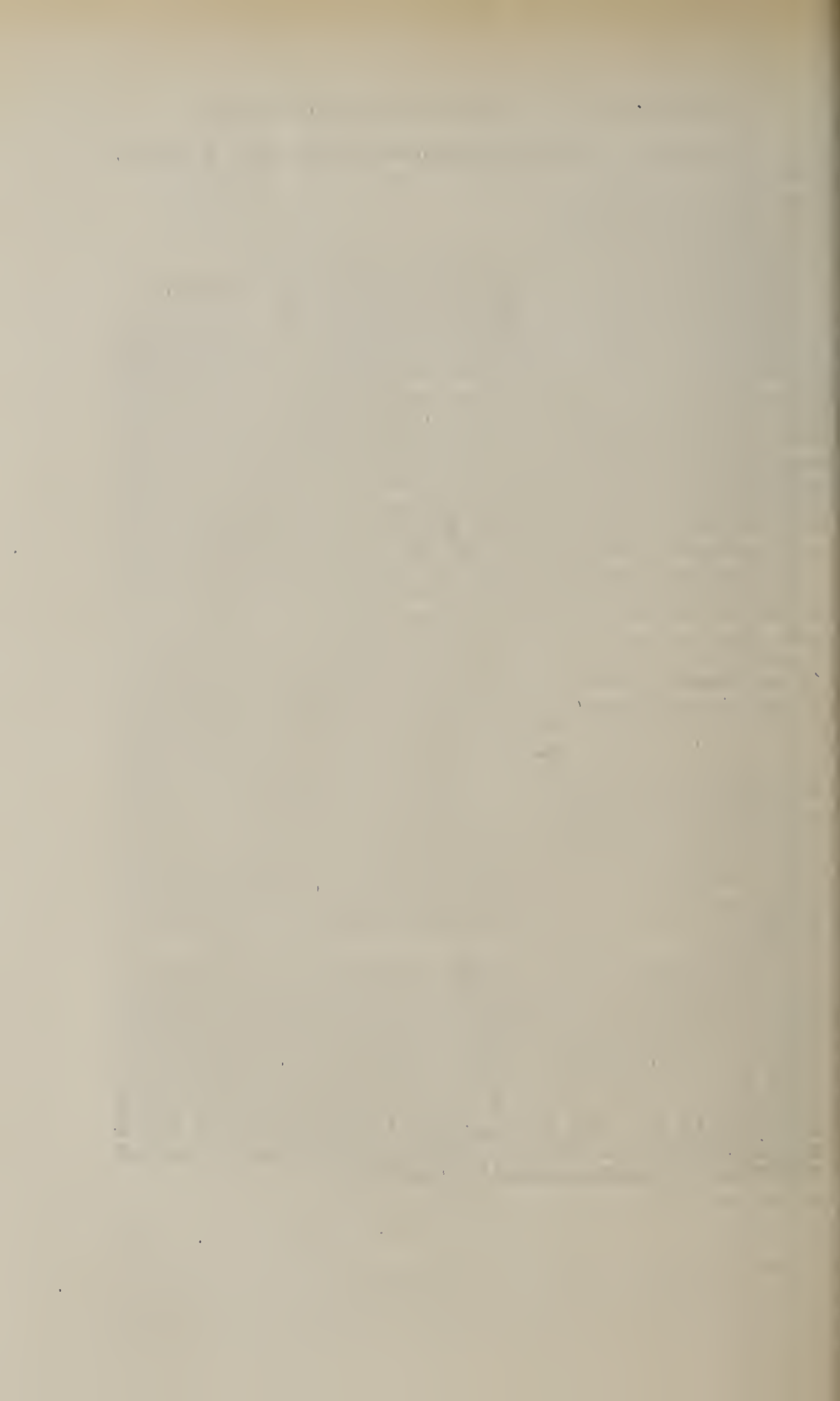
- (A) Meat, \$595,000,000.
- (B) Butter, \$100,000,000.
- (C) Flour, \$190,000,000.
- (D) Petroleum and petroleum products, \$290,000,000.
- (E) Copper, lead, and zinc (premium payments), \$88,000,000.
- (F) Other materials and commodities, \$100,000,000.

With respect to operations involving purchases on which losses are anticipated, as distinguished from direct subsidy payments, attention is called to the fact that the limitations imposed relate to the losses anticipated at the time such purchases are authorized rather than the actual losses that may result upon the ultimate resale of the materials or commodities purchased. The provisions which have been included mean that as to payments and purchases made with respect to operations for the fiscal year ending June 30, 1946, each of the corporations must estimate at the time of authorizing such payments and purchases the amount of loss likely to result therefrom. The aggregate of all such estimated losses must not exceed the dollar limitation imposed.

The committee amendment includes a provision to the effect that, if the entire amount of any of the stated allocations is not required for its purpose, the unused portion, but not to exceed 10 percent of such allocation, may be used for making payments on or purchases of any other item or items enumerated in the bill as may be determined by the Director of Economic Stabilization. In order to provide for unforeseen contingencies, flexibility within each of the stated limitations, but not to exceed 10 percent, is desirable. This provision does not, of course, increase the aggregate amount of the total over-all limitation imposed by the bill on anticipated losses involving payments and purchases made with respect to operations for the fiscal year ending June 30, 1946.

The committee amendment omits the provision of the Senate bill which required that the premium-price plan for copper, lead, and zinc be extended until June 30, 1946, on the same terms as heretofore, except that all classes of premiums should be noncancelable unless necessary in order to make individual adjustments of income to specific mines.

Section 2 of the committee amendment provides that any slaughterer not in a class eligible for extra compensation payments under Live-stock Slaughter Payments Regulation No. 3 of Defense Supplies Corporation, who has received such compensation or who hereafter receives such compensation, shall be relieved of the obligation to repay the amount thereof to the Corporation to the extent that it is determined by the Director of Economic Stabilization, or any agency authorized by him, that the slaughterer believed reasonably and in good faith that he was eligible to receive such compensation, and that requirement of repayment would be inequitable.



OFFICE OF BUDGET AND FINANCE
Legislative Reports and Service Section

79th-1st, No. 98

DIGEST OF PROCEEDINGS OF CONGRESS OF INTEREST TO THE DEPARTMENT OF AGRICULTURE
(Issued May 19, 1945, for actions of Friday, May 18, 1945)

(For staff of the Department only)

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HIGHLIGHTS: House passed bill amending various farm-credit laws. House Rules Committee reported resolution for consideration of RFC subsidies bill.

HOUSE

1. FARM CREDIT. Passed as reported this bill, H.R. 2113, to amend the Federal Farm Loan Act, the Emergency Farm Mortgage Act, the Federal Farm Mortgage Corporation Act, and the Servicemen's Readjustment Act (pp. 4843-62). (For provisions see Digest 57.)
Agreed to all committee amendments (pp. 4851-62).
Rejected amendments by Rep. Lemke, N. Dak., (17-45) to provide for an interest rate of 3% per annum on the unpaid principal of loans under the Emergency Farm Mortgage Act (pp. 4857-9); Rep. Murray, Wis., to provide for an interest rate of not to exceed 4% per annum on the unpaid principal of loans under the Emergency Farm Mortgage Act (pp. 4859-61); and Rep. Voorhis, Calif., to provide for interest on unpaid principal at a rate of 1/2 per centum per annum higher than the rate on loans through national farm loan associations made at the same time by the Federal land bank in the farm credit district in which the security for the loan under Sec. 32 is located (p. 4861).
2. SUBSIDIES. Rules Committee reported a resolution for consideration of S. 502, to continue RFC subsidies on minerals, flour, butter, and meats (for provisions see Digest 88) (pp. 4841, 4864).
3. NAVAL APPROPRIATION BILL, 1946. Received the conference report on H.R. 2907, the naval appropriation bill (p. 4863).
4. POSTAGE RATES. Rules Committee reported a resolution for consideration of H.R. 2502, readjusting the postage rates on 4th class mail matter (p. 4864).
5. TRADE AGREEMENTS. Ways and Means Committee reported without amendment H.R. 3240, the reciprocal-trade-agreements bill (p. 4864). (It is understood that this bill will be taken up Tues., May 22.)
6. FULL-EMPLOYMENT BUDGET. Rep. Havenner, Calif., inserted a Calif. Legislature

statement favoring establishment of a national policy and program for assuring full employment (p. 4841).

7. FOOD SUPPLY. Rep. Wigglesworth, Mass., criticized OPA and WFA for the meat supply situation and inserted letters on this subject (pp. 4841-2)
8. ADJOURNED until Mon., May 21 (p. 4864). Legislative program as announced by Majority Leader McCormack: Mon., Consent and Private Calendars, H.R. 3000, relating to Federal bank reserves; Tues., and later, H.R. 3240, the reciprocal-trade bill (p. 4843).

SENATE

NOT IN SESSION. Next meeting Mon., May 21.

BILLS INTRODUCED

9. TRANSPORTATION. H.R. 3262, by Rep. Cole, Mo., to amend the Interstate Commerce Act in relation to the effect upon interstate or foreign commerce of exercises of State rate-making authority. To Interstate and Foreign Commerce Committee. (p. 4864.)
10. PUBLIC LANDS. H.R. 3265, by Rep. Johnson, Calif., to release reversionary rights of the U.S. to certain property in Stockton, Calif. To Public Buildings and Grounds Committee. (p. 4864.)
11. FOOD AND DRUGS. H.R. 3266, by Rep. Lea, Calif., to amend the Federal Food, Drug and Cosmetic Act by providing for the certification of batches of drugs composed wholly or partly of any kind of penicillin or any derivative thereof. To Interstate and Foreign Commerce Committee. (p. 4864.)
12. FLOOD CONTROL. H.R. 3268, by Rep. Neely, W.Va., to authorize a preliminary examination and survey of Buffalo Creek, in the States of W.Va. and Pa., for flood control. To Flood Control Committee. (p. 4864.)

ITEMS IN APPENDIX

13. FOREIGN TRADE. Rep. Reed, N.Y., inserted statements of the Industrial Wire Cloth Institute, the Synthetic Organic Chemical Manufacturers Assn., and the National Federation of Textiles, Inc., opposing the extension of the Reciprocal Trade Agreements Act (pp. A2581-2, A2576-7, A2567).
Extension of remarks of Rep. Gearhart, Calif., including tabulations on import values and foreign trade, opposing the Reciprocal Trade Agreements Act (p. 2572, A2561).
Rep. Gearhart, Calif., inserted a Calif. Farm Bureau statement opposing this act (p. A2574).
Extension of remarks of Rep. Gearhart, Calif., including C.C. Teague's (Calif. Fruit Growers' Exchange) statement, on the relation of the tariff policy to U.S. living standards (pp. A2575-6).
14. FOOD SITUATION. Extension of remarks of Rep. Robsion, Ky., on the "shortage of meat, lard, sugar, and other essential and necessary food products," stating "The food condition in this country can be placed squarely on the shoulders of the present administration here in Washington," and including letters of complaint on this subject (pp. A2561-2).
Extension of remarks of Rep. Larcade, La., on the temporary suspension of the controls affecting the distribution and sale of meat for civilian consumption to help solve the "critical meat shortage," and including his resolution on this subject (p. A2581).

ica. Many of them will come with diseased minds and hearts. We might have absorbed such poison in our youth. We cannot take such chances now. No person should be admitted to this country about whose loyalty to America there can be any question. Certainly we cannot undertake to assimilate any Nazis and Fascists. While not all members of the armed forces of Germany and Italy were Nazis or Fascists, most all of the Nazis and Fascists were members of such armed forces. The only safe and sane action for us is to close our doors to all who bore arms against us.

READJUSTING RATES OF POSTAGE ON FOURTH CLASS MAIL MATTER

Mr. SLAUGHTER, from the Committee on Rules, reported the following privileged resolution (H. Res. 263, Rept. No. 590), which was referred to the House Calendar and ordered to be printed:

Resolved, That immediately upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of the bill H. R. 2502 readjusting the rates of postage on fourth-class mail matter, and for other purposes. That after general debate, which shall be confined to the bill and shall continue not to exceed 1 hour, to be equally divided and controlled by the chairman and the ranking minority member of the Committee on the Post Office and Post Roads, the bill shall be read for amendment under the 5-minute rule. At the conclusion of the reading of the bill for amendment the Committee shall rise and report the same back to the House with such amendments as shall have been adopted and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

CONTINUATION OF CERTAIN SUBSIDY PAYMENTS AND CERTAIN PURCHASE AND SALE OPERATIONS BY CORPORATIONS CREATED UNDER THE RECONSTRUCTION FINANCE CORPORATION ACT

Mr. SLAUGHTER, from the Committee on Rules, reported the following privileged resolution (H. Res. 264, Rept. No. 591), which was referred to the House Calendar and ordered printed:

Resolved, That immediately upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of the bill S. 502 to permit the continuation of certain subsidy payments and certain purchase and sale operations by corporations created pursuant to section 5d (3) of the Reconstruction Finance Corporation Act, as amended, and for other purposes. That after general debate, which shall be confined to the bill and shall continue not to exceed 3 hours, to be equally divided and controlled by the chairman and the ranking minority member of the Committee on Banking and Currency, the bill shall be read for amendment under the 5-minute rule. At the conclusion of the reading of the bill for amendment the Committee shall rise and report the same back to the House with such amendments as shall have been adopted and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

STATEMENT OF LEGISLATIVE POLICY IN FREE COMPETITIVE POLICY

Mr. HAVENNER. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentleman from California?

There was no objection.

Mr. HAVENNER. Mr. Speaker, all of the Members of the California delegation in this House—16 Democrats and 7 Republicans—have signed the following joint statement of legislative policy and purpose:

The undersigned Members of the House of Representatives believe that immediate steps should be taken to establish a national policy and program for assuring full employment in a free competitive economy, through the concerted efforts of industry, agriculture, labor, State and local governments, and the Federal Government.

We pledge our individual and united support for the enactment of legislation by the Seventy-ninth Congress which will establish such a national policy and program.

CLARENCE F. LEA, CLAIR ENGLE, J. LEROY JOHNSON, FRANK R. HAVENNER, RICHARD J. WELCH, GEORGE P. MILLER, JOHN H. TOLAN, JACK Z. ANDERSON, BERTRAND W. GEARHART, ALFRED J. ELLIOTT, GEORGE E. OUTLAND, JERRY VOORHIS, NED R. HEALY, HELEN GAHAGAN DOUGLAS, GORDON L. McDONOUGH, ELLIS E. PATTERSON, CECIL R. KING, CLYDE DOYLE, CHET HOLIFIELD, CARL HINSHAW, HARRY R. SHEPPARD, JOHN PHILLIPS, ED. V. IZAC.

EXTENSION OF REMARKS

Mr. MCKENZIE asked and was given permission to extend his remarks in the RECORD.

Mr. GRAHAM. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and include an article from the Toronto Globe and Mail concerning our colleague the gentleman from Pennsylvania [Mr. GAVIN].

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

[The matter referred to appears in the Appendix.]

Mr. ROBERTSON of North Dakota. Mr. Speaker, I ask unanimous consent to extend my remarks in two instances, to include in one a set of resolutions protesting the Missouri Valley Authority now pending before the United States Congress; and in the other to include a set of resolutions passed by the North Dakota Bar Association in favor of legislation before this House today.

The SPEAKER. Is there objection to the request of the gentleman from North Dakota?

There was no objection.

[The matter referred to appears in the Appendix.]

Mr. BREHM. Mr. Speaker, I ask unanimous consent to extend in the Appendix of the RECORD a statement showing the necessity for passing House Concurrent Resolution 50 if we are to main-

tain equity regarding oil production in America.

The SPEAKER. Is there objection to the request of the gentleman from Ohio?

There was no objection.

[The matter referred to appears in the Appendix.]

Mr. GOODWIN asked and was given permission to extend his remarks in the Appendix and include an editorial.

TREATMENT OF GERMAN SOLDIERS

Mr. SPRINGER. Mr. Speaker, I ask unanimous consent to address the House for 1 minute, to revise and extend my remarks and to include a newspaper article.

The SPEAKER. Is there objection to the request of the gentleman from Indiana?

There was no objection.

[Mr. SPRINGER addressed the House. His remarks appear in the Appendix of today's RECORD.]

OFFICE OF WAR INFORMATION

Mr. GAVIN. Mr. Speaker, I ask unanimous consent to address the House for 1 minute, to revise and extend my remarks in the RECORD and include a newspaper article.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

[Mr. GAVIN addressed the House. His remarks appear in the Appendix of today's RECORD.]

SECOND LT. ROBERT E. FEMOYER

Mr. ELLIS. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentleman from West Virginia?

There was no objection.

[Mr. ELLIS addressed the House. His remarks appear in the Appendix of today's RECORD.]

EXTENSION OF REMARKS

Mr. WIGGLESWORTH asked and was given permission to extend his remarks in the RECORD and include a petition and two letters.

THE MEAT SHORTAGE

Mr. WIGGLESWORTH. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

Mr. WIGGLESWORTH. Mr. Speaker, no part of the country is suffering more from the present meat shortage than New England. The O. P. A. confirms this statement.

Letters after letters come to my desk protesting against existing conditions and urging immediate steps to assure a fair distribution of available meat supplies.

Under leave to extend my remarks, I shall include two letters recently received, the first signed by several hundred workers in one of our war plants, the second signed on behalf of the taxpayers association of the city of Quincy, Mass., which has made a tremendous contribution to the war effort.

Within the last few days the Senate committee investigating matters relating to food production, distribution, and consumption has placed responsibility for the meat shortage largely on the shoulders of the O. P. A. and W. F. A. It has made specific findings as well as specific recommendations including the recommendation that a supreme administrator for food be created to have supervision and jurisdiction over both the O. P. A. and W. F. A.

Mr. Speaker, I urge that immediate steps be taken in the light of this report and of the investigation by our own committee in the House to bring about fair distribution and increased production at the earliest possible moment.

The letters speak for themselves:

PNEUMATIC SCALE CORPORATION, LTD.,
Quincy, Mass., May 10, 1945.

Hon. RICHARD B. WIGGLESWORTH,
United States Congress,
Washington, D. C.

DEAR SIR: We, the undersigned employees of the Pneumatic Scale Corporation, Ltd., of North Quincy, Mass., beg to call your attention to the intolerable food situation here in Quincy, particularly as to meats and poultry.

For the past few weeks it has been practically impossible to purchase either meat or poultry in the local stores and during the current week there are absolutely no supplies for purchasers at retail.

We would like to mention that we, like many other plants in this section, have made a substantial contribution to the war effort in the manufacture of small arms and ammunition, submarine parts, and radar equipment. For the past several years our plant has been operating 52 hours and more per week. We are still working a minimum of 52 hours (48 hours in the office and engineering departments) and many of us are working much longer.

We appreciate the need for all of us to make sacrifices and this would include a reduction in the amount of food items such as meat, poultry, and dairy products. However, it does seem unnecessary that we in this section of the country be denied the opportunity of buying the minimum requirements on these items because the stores have none for sale.

We feel that this situation demands immediate attention.

Respectively yours,

(Signed by several hundred employees,
Pneumatic Scale Corporation, Ltd.)

QUINCY TAXPAYERS ASSOCIATION, INC.,
Quincy, Mass., May 12, 1945.
Congressman RICHARD B. WIGGLESWORTH,
House of Representatives,
Washington, D. C.

MY DEAR CONGRESSMAN: The officers of the Quincy Taxpayers Association, the largest organization on the South Shore, believing that the conditions that exist call for drastic measures to alleviate the meat situation in Quincy.

We strenuously object to having the women and merchants of Quincy hunt for their rightful share of the necessities of life. Why should the citizens of New England pay for a system of regulation that consistently starves this part of the country under the guise of patriotism?

Quincy through its workers in industry has written a wonderful page of achievements, and are endeavoring to live up to the demands made on them during this war period, and are meeting every request of the Government for the success of the war effort.

But we strenuously object to the spending of money on a system of regulation that is consistently growing worse. The present condition is an example of its ineffectiveness. Instead of a fair and equal distribution of commodities we are now confronted with a thriving black market and a definite lack of foodstuffs for legitimate storekeepers.

The situation is serious in Quincy and has been for some time. We therefore respectfully appeal to you in your official capacity to rectify this situation now.

Yours respectfully,

JOHN M. QUIN,
President.
ALLEN W. COLE,
Vice President.
WM. M. EDMONSTON,
Executive Secretary.
EDWIN F. HENNESSY,
Clerk.

EXTENSION OF REMARKS

Mr. MERROW asked and was given permission to extend his own remarks in the Appendix of the RECORD and include an editorial from the Manchester Union, Manchester, N. H., entitled "Crisis in Coal."

TRANSPORTATION RESTRICTIONS

Mr. HAND. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentleman from New Jersey?

There was no objection.

[Mr. HAND addressed the House. His remarks appear in the Appendix of today's RECORD.]

NATIONAL HOUSING ADMINISTRATION

Mr. TABER. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. TABER. Mr. Speaker, along about the 1st of March the Bureau of the Budget sent up an estimate of about \$100,000,000 for the National Housing Administration. The House passed the bill on the basis of \$84,000,000, and it finally went through Congress at \$66,000,000. It was apparent at the time that it was a total waste. There appeared in the Evening Star the other night an article indicating that they were trying to waste \$14,000,000 in the vicinity of the city of Detroit, and that Henry Ford was protesting against it. I have called the attention of the Director of the Budget to this matter. I have also called the attention of the Committee on Public Buildings and Grounds of the House to it. This committee was supposed to investigate this situation.

I have asked that the Bureau of the Budget withdraw all funds from that agency.

EXTENSION OF REMARKS

Mr. CARLSON asked and was given permission to extend his remarks in the RECORD and include an editorial.

Mr. HALE asked and was given permission to extend his remarks in the RECORD and include a resolution adopted by the Northeastern States Development Agencies Conference.

Mr. GEARHART asked and was given permission to extend his remarks in the RECORD in two instances; to include in one statistics from the League of Nations, and in the other a Department of Commerce statistical chart.

Mr. McDONOUGH asked and was given permission to extend his remarks in the RECORD in two instances; to include in one an article from the Los Angeles Times, and in the other an article from the Christian Science Monitor.

Mr. REED of New York (at the request of Mr. MARTIN of Massachusetts) was given permission to extend his remarks in the RECORD in two instances.

Mr. KOPPLEMANN. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and include a statement concerning a good friend of mine, a great American scholar, a man who has done much to cement good relations with other American countries, the Reverend Dr. Joseph F. Thorning.

The SPEAKER. Is there objection to the request of the gentleman from Connecticut?

There was no objection.

[The matter referred to appears in the Appendix.]

"WE PSYCHOS ARE NOT CRAZY"

Mrs. ROGERS of Massachusetts. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentlewoman from Massachusetts?

There was no objection.

Mrs. ROGERS of Massachusetts. Mr. Speaker, in this week's Saturday Evening Post there appeared an article entitled "We Psychos Are Not Crazy." It was written by Henry T. Gorrell, a veteran, a newspaper correspondent, who is described at the beginning of the article as follows:

A veteran correspondent, four times afflicted by this war's most unfortunately labeled ailment, describes its tortures and asks understanding for returning victims.

Mr. Speaker, this veteran war correspondent endured much hardship and was taken prisoner. Many of our war correspondents have had very hazardous service and have been under great strain.

Mr. Speaker, there is nothing more cruel in the world than to call men suffering from psychoneurosis crazy, to describe men who have been in psychiatric hospitals as being insane or even psychoneurotics. In many instances there is hope for complete recovery even in cases of real mental illness. I wish every school child, every man and woman in the United States, would read this article. It would be very beneficial. There are many service persons who have been hospitalized in veterans' and Army and Navy hospitals who are only nervously tired. The World War Veterans' Committee has succeeded in having the term "psycho-

NAVY DEPARTMENT APPROPRIATION BILL, 1946—CONFERENCE REPORT

Mr. SHEPPARD submitted the following conference report and statement on the bill (H. R. 2907) making appropriations for the Navy Department and the naval service for the fiscal year ending June 30, 1946, and for other purposes:

CONFERENCE REPORT

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 2907) making appropriations for the Navy Department and the naval service, for the fiscal year ending June 30, 1946, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendments numbered 2, 5, 7, 8, 9, 10, 13, 14, 15, 16, 22, and 23.

That the House recede from its disagreement to the amendments of the Senate numbered 1, 3, 4, 6, 12, 21, 24, and 25 and agree to the same.

Amendment numbered 11: That the House recede from its disagreement to the amendment of the Senate numbered 11, and agree to the same with an amendment as follows: In lieu of the sum proposed insert "\$56,844,196"; and the Senate agree to the same.

Amendment numbered 17: That the House recede from its disagreement to the amendment of the Senate numbered 17, and agree to the same with an amendment as follows: In lieu of the matter stricken out and inserted by said amendment insert the following: "\$262,885,000: *Provided,*," and the Senate agree to the same.

Amendment numbered 20: That the House recede from its disagreement to the amendment of the Senate numbered 20, and agree to the same with an amendment as follows: At the end of the matter inserted by said amendment, before the period, insert ", as authorized by law"; and the Senate agree to the same.

The committee of conference report in disagreement amendments numbered 18 and 19.

HARRY R. SHEPPARD,
ALBERT THOMAS,
JOHN M. COFFEE,
JAMIE L. WHITTEN,
CHARLES A. PLUMLEY,
NOBLE J. JOHNSON,
WALTER C. PLOESER,

Managers on the part of the House.

JOHN H. OVERTON,
ELMER THOMAS,
THEODORE FRANCIS GREEN,
DAVID I. WALSH,
WALLACE H. WHITE, Jr.,
STYLES BRIDGES,

Managers on the part of the Senate.

STATEMENT

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 2907) making appropriations for the Navy Department and the naval service for the fiscal year ending June 30, 1946, and for other purposes, submit the following statement in explanation of the effect of the action agreed upon and recommended in the accompanying conference report as to each of such amendments, namely:

Amendments Nos. 1, 2, and 3, relating to the appropriation "Miscellaneous expenses": Strike out the limitation proposed by the House of \$28,000 upon expenditures for payment of authorized claims of civilian employees of the Naval Establishment, as proposed

by the Senate; appropriate \$40,500,000, as proposed by the House, instead of \$41,750,000, as proposed by the Senate; and strike out, as proposed by the Senate, the provision proposed by the House barring expenditures for compensation of persons who engage in the performance of conciliation or kindred services in fields under the cognizance of the Department of Labor.

Amendment No. 4, relating to the Naval War College: Appropriates \$175,000, as proposed by the Senate, instead of \$156,269, as proposed by the House.

Amendments Nos. 5, 6, 7, 8, and 9, relating to naval training stations: Appropriate for the naval training stations, San Diego, Calif., Great Lakes, Ill., Lake Seneca, N. Y., and Port Deposit, Md., \$12,908,000, as proposed by the House, instead of \$14,175,000, as proposed by the Senate, in conformity with the House proposal that the temporary training station at Seneca Lake, N. Y., be discontinued as such on or before October 1, 1945; and appropriate \$1,152,000 for the naval training station, Newport, R. I., as proposed by the Senate, instead of \$1,036,800, as proposed by the House.

Amendment No. 10, relating to the sub-appropriation "Libraries": Appropriates \$2,877,196, as proposed by the House, instead of \$3,000,000, as proposed by the Senate.

Amendment No. 11: Adjusts a total.

Amendment No. 12: Appropriates an additional amount of \$180,000,000 for the fiscal year 1945 for "Ordnance and ordnance stores, Navy", pursuant to a Budget estimate, as proposed by the Senate.

Amendments Nos. 13, 14, 15, 16, and 17, relating to the appropriation "Pay, subsistence, and transportation, Navy": Provide for setting up the "Transportation and recruiting" subhead as a separate appropriation, as proposed by the House, and appropriate for "Transportation and recruiting", as a separate appropriation, \$262,885,000, as proposed by the Senate, instead of \$242,385,000, as proposed by the House.

Amendment No. 20, relating to Public Works, Bureau of Yards and Docks: Includes specific provision for providing a field house at the Naval Academy, at a cost of \$1,500,000, chargeable to the amount in the bill proposed by the House for public works projects within the continental limits of the United States, as proposed by the Senate.

Amendment No. 21: Makes the appropriation "Emergency construction", applying to ship construction, available until December 31, 1946, for expenditure only in liquidation of obligations incurred prior to July 1, 1945, as proposed by the Senate.

Amendment No. 22: Strikes out the authorization proposed by the Senate for the incurrence of traveling expenses in connection with the recruitment and placement of civilian personnel.

Amendment No. 23: Restores the House provision limiting to 17,000 the average number of all civil personnel in the Navy Department at the seat of Government, excluding the Marine Corps and the Coast Guard.

Amendments Nos. 24 and 25: Amend section 120 of the bill, dealing with allowances for quarters of personnel occupying emergency housing facilities under the jurisdiction of the Navy Department or the National Housing Agency, to conform with the provisions of current law, as proposed by the Senate.

AMENDMENTS IN DISAGREEMENT PURSUANT TO CLAUSE 2, RULE XX

Amendment No. 18, amending the text of the appropriation "Medical Department".

Amendment No. 19, relating to ownership of articles manufactured or produced by pa-

tients in naval hospitals incident to their convalescence and rehabilitation.

HARRY R. SHEPPARD,
ALBERT THOMAS,
JOHN M. COFFEE,
JAMIE L. WHITTEN,
CHARLES A. PLUMLEY,
NOBLE J. JOHNSON,
WALTER C. PLOESER,

*Statement of managers on the part
of the House.*

FRANCES PILLEN

Mr. BONNER. Mr. Speaker, from the Committee on Accounts, I offer a privileged resolution (H. Res. 266) and ask for its immediate consideration.

The Clerk read as follows:

Resolved, That there shall be paid out of the contingent fund of the House to Frances Pillen, widow of Harry Pillen, late an employee of the House, an amount equal to 6 months' salary at the rate he was receiving at the time of his death, and an additional amount not to exceed \$250 toward defraying the funeral expenses of the said Harry Pillen.

The resolution was agreed to.

A motion to reconsider was laid on the table.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted as follows:

To Mrs. LUCE (at the request of Mr. MARTIN of Massachusetts), for Monday, May 21, on account of official business.

To Mr. LAFOLLETTE, from May 18, 1945, to May 23, 1945, on account of necessary business.

To Mr. STEFAN, indefinitely, on account of official business in connection with the San Francisco Security Conference.

To Mr. RABAUT, indefinitely, on account of official business in connection with the United Nations Conference at San Francisco.

SENATE BILL AND CONCURRENT RESOLUTION REFERRED

A bill and a concurrent resolution of the Senate of the following titles were taken from the Speaker's table and, under the rule, referred as follows:

S. 807. An act to improve salary and wage administration in the Federal service; to provide pay for overtime and for night and holiday work; to amend the Classification Act of 1923, as amended; to bring about a reduction in Federal personnel and to establish personnel ceilings for Federal departments and agencies; to require a quarterly analysis of Federal employment; and for other purposes; to the Committee on the Civil Service.

S. Con. Res. 14. Concurrent resolution authorizing that the letter of the Secretary of the Interior, dated February 2, 1945, transmitting a report on a survey of the fishery resources of the United States and its possessions be printed as a Senate document, and providing for the printing of additional copies thereof; to the Committee on Printing.

ENROLLED BILL SIGNED

Mr. ROGERS of New York, from the Committee on Enrolled Bills, reported that that committee had examined and found truly enrolled a bill of the House of the following title, which was thereupon signed by the Speaker:

H. R. 2603. An act making appropriations for the Departments of State, Justice, Commerce, the Judiciary, and the Federal Loan Agency for the fiscal year ending June 30, 1946, and for other purposes.

ADJOURNMENT

Mr. FLANNAGAN. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 3 o'clock and 55 minutes p. m.), pursuant to its previous order, the House adjourned until Monday, May 21, 1945, at 12 o'clock noon.

COMMITTEE HEARINGS

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE

(Tuesday, May 22, 1945)

There will be a meeting of the Committee on Interstate and Foreign Commerce at 10 o'clock a. m., Tuesday, May 22, 1945, to resume public hearings on H. R. 3170, a bill to provide Federal aid for the development of public airports and to amend existing law relating to air-navigation facilities.

COMMITTEE ON PUBLIC BUILDINGS AND GROUNDS

(Tuesday, May 22, 1945)

There will be a meeting of the Committee on Public Buildings and Grounds at 10 o'clock a. m., on Tuesday, May 22, 1945, for consideration of housing for veterans' families.

COMMITTEE ON THE JUDICIARY

(Wednesday, May 23, 1945)

Subcommittee No. III of the Committee on the Judiciary will begin hearings at 10 a. m., Wednesday, May 23, 1945, on H. R. 2357, to amend an act entitled "An act to supplement existing laws against unlawful restraints and monopolies, and for other purposes," approved October 15, 1914 (38 Stat. 730), as amended (secs. 7 and 11). The hearings will be held in the Judiciary Committee room, 346 House Office Building.

COMMITTEE ON IMMIGRATION AND NATURALIZATION

(Wednesday, May 23, 1945)

There will be a meeting of the Committee on Immigration and Naturalization at 10:30 o'clock on Wednesday, May 23, 1945.

COMMITTEE ON EXPENDITURES IN THE EXECUTIVE DEPARTMENTS

(Wednesday, May 23, 1945)

Hearings on H. R. 2177 will be held starting Wednesday, May 23, 1945, at 10 a. m., to continue until completed.

[Omitted from the Record of May 17, 1945]

EXECUTIVE COMMUNICATIONS, ETC.

481. Under clause 2 of rule XXIV a letter from the Clerk, South Trimble, House of Representatives, transmitting the evidence with regard to 79 contested elections filed on behalf of Moss A. Plunkett (H. Doc. No. 181), was taken from the Speaker's table, referred to the Committee on Elections No. 1, and ordered to be printed.

EXECUTIVE COMMUNICATIONS, ETC.

482. Under clause 2 of rule XXIV a letter from the adjutant general of the

Veterans of Foreign Wars of the United States, transmitting the proceedings of the Forty-fifth National Encampment of the Veterans of Foreign Wars of the United States, held in Chicago, Ill., August 22 to 24, 1944 (H. Doc. No. 182), was taken from the Speaker's table, referred to the Committee on Military Affairs, and ordered to be printed with illustrations.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. VINSON: Committee on Naval Affairs. H. R. 3180. A bill to impose certain restrictions on the disposition of naval vessels and facilities necessary to the maintenance of the combatant strength and efficiency of the Navy, and for other purposes; without amendment (Rept. No. 589). Referred to the Committee of the Whole House on the state of the Union.

Mr. SLAUGHTER: Committee on Rules. House Resolution 263. Resolution providing for the consideration of H. R. 2502, a bill readjusting the rates of postage on fourth-class mail matter, and for other purposes; without amendment (Rept. No. 590). Referred to the House Calendar.

Mr. SLAUGHTER: Committee on Rules. House Resolution 264. Resolution providing for the consideration of S. 502, an act to permit the continuation of certain subsidy payments and certain purchase and sale operations by corporations created pursuant to section 5d (3) of the Reconstruction Finance Corporation Act, as amended, and for other purposes; without amendment (Rept. No. 591). Referred to the House Calendar.

Mr. BONNER: Committee on Accounts. House Resolution 266. Resolution granting 6 months' salary and \$250 funeral expenses to Frances Pillen, widow of Harry Pillen, late an employee of the House; without amendment (Rept. No. 593). Referred to the House Calendar.

Mr. DOUGHTON of North Carolina: Committee on Ways and Means. H. R. 3240. A bill to extend the authority of the President under section 350 of the Tariff Act of 1930, as amended, and for other purposes; without amendment (Rept. No. 594). Referred to the Committee of the Whole House on the state of the Union.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. COLE of Missouri:

H. R. 3262. A bill to amend part II of the Interstate Commerce Act, in relation to the effect upon interstate or foreign commerce of exercises of State rate-making authority; to the Committee on Interstate and Foreign Commerce.

By Mr. GOSSETT:

H. R. 3263. A bill to amend the immigration and naturalization laws to deny admission to the United States of aliens who have served in armed forces of countries at war with the United States and to deny naturalization to such persons; to the Committee on Immigration and Naturalization.

By Mr. HAGEN:

H. R. 3264. A bill authorizing the village of Baudette, State of Minnesota, its successors and assigns, to construct, maintain, and operate a bridge across the Rainy River at Baudette, Minn.; to the Committee on Interstate and Foreign Commerce.

By Mr. JOHNSON of California:

H. R. 3265. A bill to release reversionary rights of the United States to certain property in Stockton, Calif.; to the Committee on Public Buildings and Grounds.

By Mr. LEA:

H. R. 3266. A bill to amend the Federal Food, Drug, and Cosmetic Act of June 25, 1938, as amended, by providing for the certification of batches of drugs composed wholly or partly of any kind of penicillin or any derivative thereof, and for other purposes; to the Committee on Interstate and Foreign Commerce.

By Mr. BLAND:

H. R. 3267. A bill to further extend the effectiveness of the act approved December 17, 1941, relating to additional safeguards to the radio communications service of ships of the United States, as amended, and for other purposes; to the Committee on the Merchant Marine and Fisheries.

By Mr. NEELY:

H. R. 3268. A bill to authorize a preliminary examination and survey of Buffalo Creek, in the States of West Virginia and Pennsylvania, for flood control; to the Committee on Flood Control.

By Mr. VINSON:

H. R. 3269. A bill further amending the part of the act entitled "An act making appropriations for the naval service for the fiscal year ending June 30, 1921, and for other purposes," approved June 4, 1920, as amended, relating to the conservation, care, custody, protection, and operation of the naval petroleum and oil-shale reserves; to the Committee on Naval Affairs.

By Mr. STEFAN:

H. J. Res. 201. Joint resolution to provide for designation and appointment of June 10 as Lidice Day; to the Committee on the Judiciary.

By Mr. HARTLEY:

H. Res. 265. Resolution to establish Palestine as a Hebrew nation; to the Committee on Foreign Affairs.

By Mr. VINSON:

H. Res. 267. Resolution providing for the consideration of H. R. 3180, a bill to impose certain restrictions on the disposition of naval vessels and facilities necessary to the maintenance of the combatant strength and efficiency of the Navy, and for other purposes; to the Committee on Rules.

MEMORIALS

Under clause 3 of rule XXII, memorials were presented and referred as follows:

By the SPEAKER: Memorial of the Legislature of the State of Kentucky, memorializing the President and the Congress of the United States of the State's confidence in the Honorable Fred Vinson, in his present responsible position as head of National War Mobilization and Demobilization; to the Committee on the Judiciary.

Also, memorial of the Legislature of the State of Florida, memorializing the President and the Congress of the United States to pass House bill 2071, to reclassify the salaries of postmasters, officers, and employees of the Postal Service; to the Committee on the Post Office and Post Roads.

Also, memorial of the Legislature of the State of Florida, memorializing the President and the Congress of the United States to investigate the Veterans' Administration by special committee; to the Committee on World War Veterans' Legislation.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. ALLEN of Louisiana:

H. R. 3270. A bill for the relief of James B. McCarty; to the Committee on Claims.

House Calendar No. 135

79TH CONGRESS
1ST SESSION

H. RES. 264

[Report No. 591]

IN THE HOUSE OF REPRESENTATIVES

MAY 18, 1945

Mr. SLAUGHTER, from the Committee on Rules, reported the following resolution; which was referred to the House Calendar and ordered to be printed.

RESOLUTION

1 *Resolved*, That immediately upon the adoption of this
2 resolution it shall be in order to move that the House resolve
3 itself into the Committee of the Whole House on the state
4 of the Union for the consideration of the bill (S. 502) to
5 permit the continuation of certain subsidy payments and
6 certain purchase and sale operations by corporations
7 created pursuant to section 5d (3) of the Reconstruction
8 Finance Corporation Act, as amended, and for other pur-
9 poses. That after general debate, which shall be confined
10 to the bill and shall continue not to exceed three hours to be
11 equally divided and controlled by the chairman and the
12 ranking minority member of the Committee on Banking

1 and Currency, the bill shall be read for amendment under
2 the five-minute rule. At the conclusion of the reading of
3 the bill for amendment, the Committee shall rise and report
4 the same back to the House with such amendments as shall
5 have been adopted and the previous question shall be con-
6 sidered as ordered on the bill and amendments thereto to
7 final passage without intervening motion except one motion
8 to recommit.

RESOLUTION

Providing for the consideration of S. 502, an Act to permit the continuation of certain subsidy payments and certain purchase and sale operations by corporations created pursuant to section 5d (3) of the Reconstruction Finance Corporation Act, as amended, and for other purposes.

By Mr. SLAUGHTER

MAY 18, 1945

Referred to the House Calendar and ordered to be printed

CONSIDERATION OF S. 502

MAY 18, 1945.—Referred to the House Calendar and ordered to be printed

Mr. SLAUGHTER, from the Committee on Rules, submitted the
following

REPORT

[To accompany H. Res. 264]

The Committee on Rules, having had under consideration House Resolution 264, reports the same to the House with the recommendation that the resolution do pass.



DIGEST OF PROCEEDINGS OF CONGRESS OF INTEREST TO THE DEPARTMENT OF AGRICULTURE
(Issued May 22, 1945, for actions of Monday, May 21, 1945)

(For staff of the Department only)

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HIGHLIGHTS: House food-investigation committee submitted report. House passed flood-relief bill. House conferees appointed on extension-work bill. Senate confirmed Lillienthal's nomination. Sen. Barkley inserted Director Vinson's food-program press release.

HOUSE

1. FOOD SUPPLY. Select Committee to Investigate Food Shortages submitted a report pursuant to H.Res. 195 (H.Rept. 602) (pp. 4936, 4948).
2. FLOOD RELIEF. Passed, 127-1, as reported S. 938, to provide for emergency flood-control work made necessary by recent floods (pp. 4921, 4930-5). The House version does not include Sec. 4 of the Senate version which reappropriated the unexpended balance of the appropriation of \$15,000,000 made in the Second Deficiency Appropriation Act, 1943. The Committee report stated that "this constituted an appropriation, and appropriations are not within the jurisdiction of the" Flood Control Committee. (This appropriation is included in H.J. Res. 190.)
3. EXTENSION WORK. Reps. Flannagan, Zimmerman, Pace, Hope, and Kinzer were appointed conferees on S. 383, the extension-work bill (p. 4937). Senate conferees were appointed May 15.
4. SUBSIDIES. Passed over S. 502, to continue RFC subsidies on minerals, flour, butter, and meats, at the request of Rep. Barden, N.C., since "a rule has been granted on this bill." Rep. Patman, Tex., discussed RFC's surplus-property work and its relation to small business. (pp. 4921-3)
5. LATIN AMERICA; STATISTICS. Discussed and passed over H.R. 688, to amend the act providing for U.S. membership in the Inter-American Statistical Institute at the request of Rep. Rogers, Miss. (pp. 4917-8).
6. REPORTS. At the request of Rep. Kean, N.J., passed over H.R. 2504, to discontinue certain reports now required by law (includes ones for FS, AAA, and condition of work) (p. 4909).

7. POSTAGE RATES. At the request of Rep. Kean, N.J., passed over H.R. 2502, to read-just fourth-class postage rates (p. 4909).
8. NAVAL APPROPRIATION BILL, 1946. Both Houses agreed to the conference report on this bill, H.R. 2907, and acted on it in disagreement (pp. 4895, 4908). This bill will now be sent to the President.
9. TRANSPORTATION; FREIGHT RATES. Reps. Bryson, S.C., and Patrick, Ala., commended the "progress" being made in the elimination of the "freight-rate discrimination" against the South and West (p. 4937).
10. PHYSICALLY HANDICAPPED. Judiciary Committee reported with amendment H.J. Res. 23, to establish the first week in Oct. each year as National Employ the Physically Handicapped Week (H.Rept. 598)(p. 4948).

SENATE

11. FOOD SUPPLY. Majority Leader Barkley, Ky., inserted Director Vinson's (WMR) release on the Government program for increasing beef-cattle feeding, encouraging maximum cattle and hog slaughter, and improving meat distribution (pp. 4867-8).
Sen. Aiken, Vt., discussed and inserted R.R. Farquhar's (Frozen Food Locker Manufacturers and Supply Association) statement protesting OPA's campaign against community-locker plants in the Midwest (pp. 4877-9). In discussing the statement Sen. Aiken stated, "I do not question that some meat may have been hoarded in community-locker plants...but I seriously question the wisdom of OPA engaging in any campaign which will result in a lower production of meat and higher costs to the consumer."
Sen. Johnson, S.C., discussed the effect in his State of a recent OPA meat-control order and inserted S.C. Agricultural Commissioner Jones' report on the subject (pp. 4886-7).
12. IMPORTS. Received Tariff Commission's report on import trade of the U.S. and production of related items (S.Doc. 38). To Finance Committee. (p. 4868.)
13. PRICE CONTROL. Sen. Reed, Kans., inserted sundry Kans. petitions urging changes in the price-control laws 'to increase' the supply of food available, eliminate black-markets, and simplify OPA regulations (pp. 4870-1).
14. EDUCATION. and Labor Committee reported with amendments S. Res. 122, favoring U.S. participation in an International Office of Education (S.Rept. 286)(p. 4872).
Sen. Camper, Kans., inserted sundry letters and petitions favoring S. 619, to provide vocational education and retraining, including part-time training and work-experience programs for occupational adjustment (pp. 4871-2).
15. R.F.C. Banking and Currency Committee reported with amendments S. J. Res. 65, to transfer to RFC the functions, powers, duties, and records of the Defense Plant Corporation, Metals Reserve Company, Rubber Reserve Company, Defense Supplies Corporation, and the Disaster Loan Corporation (S.Rept. 285)(p. 4872).
16. NOMINATION. Confirmed the nomination of David E. Lilienthal to be a member of the TVA board of directors (pp. 4895-9, 4905). Sens. McKellar and Stewart of Tenn. spoke in opposition to the nomination.
17. REGIONAL AUTHORITIES. Agreed to Sen. Overton's (La.) request to postpone hearing on S. 737, to create a Savannah River Authority (p. 4876), and to postpone hearings on S. 555, to create an MVA, "until the return of" Sen. Murray, Mont. (pp. 4876-7).

situation and enable the administration to go out and employ men and women to do the necessary work to meet the present emergency.

Mr. Speaker, I hope the gentleman will not object to the immediate consideration of this bill. I must object to its going over without prejudice. We need this legislation now.

The SPEAKER. Is there objection to the present consideration of the bill?

Mr. RAMSPECK. Mr. Speaker, I make a point of order against the report.

Mr. RANKIN. Mr. Speaker, that point of order is out of order until the bill is up for consideration.

The SPEAKER. The gentleman from Mississippi is correct.

Mr. RAMSPECK. Mr. Speaker, I object to the present consideration of the bill.

SUSPENSION OF PRESENT WARS SECTION 2 OF THE ACT OF MARCH 3, 1883, AS AMENDED

The Clerk called the bill (S. 645) to suspend until 6 months after the termination of the present wars section 2 of the act of March 3, 1883 (22 Stat. 481), as amended.

There being no objection, the Clerk read the bill, as follows:

Be it enacted, etc., That section 2 of the act of March 3, 1883 (22 Stat. 481), as amended, is hereby suspended until 6 months after the termination of the present wars as determined by the proclamation of the President or concurrent resolution of the Congress, whichever is earlier.

The bill was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

AUTHORIZING SECRETARY OF STATE TO CONVEY TO THE STATE OF RHODE ISLAND CERTAIN LAND AT NORTH KINGSTOWN, R. I.

The Clerk called the bill (S. 647) to authorize the Secretary of the Navy to convey to the State of Rhode Island, for highway purposes only, a strip of land within the naval advance base depot at North Kingstown, R. I.

There being no objection, the Clerk read the bill, as follows:

Be it enacted, etc., That the Secretary of the Navy is hereby authorized to convey (subject to section 2 of this act) to the State of Rhode Island, for highway purposes only, upon such terms and conditions as he may prescribe, all right, title, and interest of the United States in and to a strip or parcel of land, the metes and bounds description of which is on file in the Navy Department, consisting of two and five hundred eighty-three one-thousandths acres, more or less, situated within the boundaries of the United States Naval Advance Base Depot, North Kingtown, Washington County, R. I.

SEC. 2. If any part of the land conveyed pursuant to this act is used for other than highway purposes, or ceases to be used for highway purposes, such part shall revert to the United States.

The bill was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

EMERGENCY REPAIRS TO FLOOD-CONTROL WORKS

The Clerk called the bill (S. 938) to provide for emergency flood-control work

made necessary by recent floods, and for other purposes.

The SPEAKER. Is there objection to the present consideration of the bill?

Mr. KEAN. Mr. Speaker, reserving the right to object, at the commencement of the present session, the gentleman from New York [Mr. COLE] made a statement as to what type of bill the objectors on this side of the aisle would object to and among them were bills carrying amounts of money such as carried by the present bill. The chairman of the committee evidently has not read that part of the record. For that reason I object.

RECONSTRUCTION FINANCE CORPORATION ACT

The Clerk called the bill (S. 502) to permit the continuation of certain subsidy payments and certain purchase and sale operations by corporations created pursuant to section 5d (3) of the Reconstruction Finance Corporation Act, as amended, and for other purposes.

The SPEAKER. Is there objection to the present consideration of the bill?

Mr. PATMAN. Mr. Speaker, reserving the right to object, the RFC has a lot to do with surplus property. I ask unanimous consent to extend my remarks in the RECORD at this point.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

"MOUNTAINS OUT OF MOLEHILLS"—SURPLUS PROPERTY BOARD USING COMPLICATED AND UNWORKABLE PROCEDURES TO DO A COMPARATIVELY SIMPLE JOB—TASK ADMITTEDLY INVOLVES HUGE AMOUNTS OF SURPLUSES, BUT NO EVIDENCE VISIBLE THAT USE OF NORMAL MERCHANDISING TECHNIQUES BEING ENCOURAGED—SMALL BUSINESS NOT BEING AFFORDED EQUITABLE TREATMENT YET—CHAINS, MAIL-ORDER HOUSES, AND LARGE DISTRIBUTION OUTLETS REPORTEDLY OPPOSING PROGRAMS WHICH WOULD PERMIT SMALL RETAILS TO SELL AT SAME PRICES GRANTED LARGER INTERESTS—25-POINT PROGRAM FOR HANDLING SURPLUS DISPOSALS RECOMMENDED TO PROVIDE EQUITABLE TREATMENT TO ALL TYPES OF BUSINESSES

Mr. PATMAN. Mr. Speaker, the disposal of surplus Government-owned property has been correctly described as "the greatest merchandising job in history." Congress, in adopting Public Law No. 457—the Surplus Property Act of 1944—gave early evidence of its awareness of this job and its attendant problems.

In the debates which preceded the adoption of this law and in the terms of the act itself Congress did at least three very constructive things:

First. It gave free rein to the composite congressional imagination and wrote into the bill a statement of policies which showed that—

(a) It is definitely the intent of Congress to discourage unwarranted speculative activities; and

(b) It is also the intent of Congress to see to it that small businessmen, farmers, veterans, States, counties, cities, charitable institutions, and the various agencies of the Federal Government are all given a fair opportunity to participate in the acquisition of this multi-billion dollar stock of merchandise.

Second. It so worded the act that it gave free rein to the ingenuity and integrity of the members of the Surplus Property Board to see to it that pro-

cedures will be developed by that Board and its subsidiary disposal agencies which will result in the most equitable distribution to the above described group of deserving claimants.

Third. By considering the subject in many separate committees, by holding lengthy debates on the problems likely to arise, and, finally, by accepting the congressional responsibility through the adoption of Public Law No. 457, Congress itself created the "goldfish bowl atmosphere" so wisely recommended by Messrs. Baruch and Hancock in the report of February 1944.

SURPLUS PROPERTY BOARD HAS FINAL RESPONSIBILITY

However, by the very latitude allowed the Surplus Property Board in the act, Congress definitely passed along the responsibility for the success or failure of this great task to three men, the members of the board. Already the terms of this act have been publicly criticized by one of the members of this board as they were previously criticized by Mr. Clayton, the original Administrator.

With the arrival of VE-day and the inevitable cut-backs in war contracts, renewed awareness of the magnitude of this great merchandising task is coming to the general public, the agencies concerned, and to the Congress. It is generally conceded, I believe, that the skill or lack of skill with which this job is administered may well affect the economic welfare of this and other nations for a number of years to come. I shall not touch upon the international aspect of this problem in these few remarks. I understand that our able colleague the gentleman from Alabama [Mr. MANASCO] the chairman of the committee which reported out this very bill, has been covering the international situation himself through a personal inspection in Europe. His report to the House on this phase will cover that subject fully, I am sure.

My principal concern is with the question of just how is small business faring under this bill. As chairman of the Small Business Committee, I have maintained a continuing interest in this particular phase of the surplus program ever since the Small Business Committee first held hearings on this subject in September 1943.

SMALL BUSINESS UNPROTECTED UNDER PRESENT REGULATIONS

I regret to report to the Members that I am far from satisfied personally with the manner in which this program is being handled on behalf of small business up until this time.

My disappointment lies not so much in the fact that there have been obvious discriminations against small business in a number of disposals already effected because those offenses have apparently stemmed more from over-eagerness to move the goods rapidly than from deliberate disregard of the intent of Congress.

My disappointment is based primarily upon the inertia which seems to characterize the work of the top Board itself, the Surplus Property Board. Although the Board has held office for several months now, it has only just now gotten around to issuing its first regulations and

I am frank to confess that these first regulations do not give me a very clear idea of just what the Board's policies and procedures are in respect to small business.

It may be that my own thinking on the subject of surplus disposal is not sufficiently penetrating to be of any value. It may be that I over-simplify the questions when I say that the Board is failing to see the forest for the trees. Maybe this is a complicated job beyond the comprehension of the average Congressman and that, possibly, is why we gave this Board so much latitude when we passed the act last fall.

JOB TREMENDOUS, BUT NOT TOO COMPLICATED

I really do not believe this disposal job is so complicated and need not become so unless the Board, through its own confusion of thinking, makes it that way.

Let us admit that it is a job on a tremendous scale, but Americans have tackled big jobs before and licked them. This war is a witness to that fact.

PRIMARILY "A MERCHANDISING JOB"

Let us admit that this is primarily a merchandising job, one that requires the use of the best qualified merchandising talent in the country, with the members of the Board at the top of the organization furnishing the leaven of good judgment and the minimum of directional influence in accordance with the admirable broad statement of policies laid down by Congress for the Board in the act.

PRIORITY RATINGS MUST BE ESTABLISHED

In the beginning, I think the Board should have issued a clear-cut list of priority ratings similar to those used by the War Production Board except that these surplus priorities ratings should be issued on behalf of those groups which Congress intended should have either preferential or equal treatment instead of being issued for the war effort exclusively.

It may be that the three regulations issued by the Board to date do contain such a simple list of priority ratings, but, with all my legal experience going back many years, I am frank to confess that I cannot detect any such list in those regulations.

As I understand Public Law 457, Congress intended that Federal agencies should be the first claimants of surplus. Other political subdivisions, charitable institutions, farmers, small businessmen, and veterans followed next, not necessarily in that exact order. It seems to me that it would be helpful to all concerned with this problem if the Board would record this fact through the issuance of a simple list of the groups in question, giving to each group the priority rating to which it is entitled.

It is true that no priorities should be awarded which could be abused beyond the intent of Congress. By this statement, I mean that no priority should be given to a small businessman which would permit him to expand operations beyond his normal capacity to absorb surpluses so that he might be tempted to act as a "front man" for either large speculative or monopolistic interests.

That could be avoided, however, if the proper system of merchandising controls and inspection of operations were also authorized.

SIX EXAMPLES OF INEFFICIENT MERCHANDISING

Let us review the picture as it exists today and see if the following analysis has any merit. I have no right to criticize publicly the Surplus Property Board, as I am now doing, unless I am prepared to submit for similar criticism some ideas of my own which I believe to be constructive. Therefore, I suggest the following:

First. I question the ultimate effectiveness of the present program which has resulted in the delegation of disposal responsibility to a number of separate Federal agencies. Why should footwear and small leather goods be assigned for disposal to the Department of Commerce while boot and shoe cut stock and leather is assigned to Reconstruction Finance Corporation for disposal? Why should a man interested in these related items have to visit separate and often widely separated regional offices of separate agencies in his search for goods needed in a single-purpose business? Why should not a centralized disposal agency be authorized with regional offices of the various agencies consolidated for efficiency and economy's sake? We talk about Federal economy on the one hand and we admit the need for more trained personnel for the respective disposal agencies at the same time. Could we not consolidate the work of these related agencies and procure our needed additional personnel through such a consolidation?

Second. I question the wisdom of letting the armed services or the Maritime Commission sell any type of declared surplus unless it be ships and boats, even when these items have been classified by the agencies as "scrap, waste, or salvage," as is permitted under the terms of the act. When I learn, as I have just been advised, that a man can buy new, unused valves and fittings in their original packing boxes from these particular agencies at a price of 22 cents on the dollar because they have been declared excess to the needs of the agency, I wonder just what supervision the Surplus Property Board is exercising over the agencies it has delegated to act for it in this program. When I find that both RFC and the Department of Commerce each have been granted authority to dispose of these same standard items, I wonder just how the small businessman or the farmer is going to go about locating such items and just what chance he has of getting them without paying three or four profits to the man who has the inside track. If this is one of the end results of Surplus Property Board Regulation No. 1, which designated the respective disposal agencies, I say that said regulation needs immediate review and tightening up.

Third. I question the wisdom of selling surplus goods on such short notice as is now the custom in most instances. Too many cases have been reported to me of retailers or wholesalers who are on the mailing list to receive the Surplus Reporter, official publication of the Office of Surplus Property, Department of Com-

merce, where the notice of sale is received by the interested customer within less than a week before the sale is scheduled to take place. If he is interested in the goods in question, he must often travel several hundred miles to make a personal inspection and must then secure a proper bid form from the agency upon which to record his bid. The bid, in turn, is often sent to an office of the agency which is located several hundred miles from the place in which the surplus goods are stored. This arrangement is neither practical nor economical for the Government or the customer.

Fourth. I question the wisdom of selling any surplus goods upon which OPA has not yet placed its maximum price ceilings. I have been advised of several cases where goods were purchased in good faith on sealed bids by either retailers or wholesalers for resale only to have the OPA later come through with a price ceiling on said goods which caused the purchaser to choose between selling them at a loss or being in violation of OPA regulations.

Fifth. I deplore the policy of the armed services which permits one of these agencies to overlook the claiming of certain surpluses such as machine tools when notice of the availability of these machines is recorded with the agency; only, later, to come in to a public sale of these same machines to which the public has been invited and then claim the same machines which were overlooked and refused in the first instance. When the small businessman, especially the manufacturer or his authorized representative, has been notified by wide-scale newspaper advertising that such and such a machine tool for which he has great need in his own manufacturing operations is to be offered at public sale on a definite date, and when this man travels hundreds of miles to make a bid on this particular piece of equipment, it is indeed bad public relations for that man to learn upon arrival that the machine in question is not going to be offered for sale after all just because some official of the armed services overlooked claiming it when it was first offered to him in regular fashion several weeks prior. Such practices do not lend credit to the selling agency which, in all fairness in such cases, it must be admitted acted in good faith in advertising the item.

Sixth. I deplore the inaccuracy of description or the lack of description given to the surpluses which are offered for sale in the catalogs of the respective disposal agencies. When a qualified customer takes a chance and submits his bid to the disposal agency on the strength of the description given him by the agency and later finds that he has bought a piece of equipment that either has essential parts missing or does not conform otherwise to the description given him, I am advised that he has no recourse for his money. This is also an example of poor public relations.

There are other, possibly less important, examples which I could record to show you the reasons for my dissatisfaction with the handling of this program to date, but, as promised, I should prefer to devote the remainder of my time to

offering what I believe to be a constructive program upon which I think the Surplus Property Board could well afford to act. My own program is as follows:

RECOMMENDATIONS: 25-POINT PROGRAM TO PROVIDE EQUITABLE TREATMENT FOR ALL TYPES OF BUSINESS

(a) Surpluses, in which there is a general and continuing consumer interest, should be sold only at fixed prices.

(b) The ultimate consumer should not be prohibited from participating in any surplus sale.

(c) A fixed price should be set on merchandise sold direct to the consumer.

(d) A discount off the consumer price should be established for retailers.

(e) An additional discount should be established for wholesalers. (There should be a clear-cut definition of what constitutes a "wholesaler.")

(f) A further discount should be established for a manufacturer if the merchandise is of a sort that it must be reworked substantially before it is suitable for reoffering to the trade or the public.

(g) No concessions, other than those listed above, should be granted because of quantity purchases.

(h) When determining fixed prices, which pre-supposes different prices for the several selling levels, the percentages of the total declaration to be sold to each class of buyer should also be determined. This could be ascertained by and predicated upon the normal prewar methods using in merchandising each particular type of merchandise; that is, how much was sold direct by manufacturer to ultimate consumer, how much by wholesaler, how much by retailer, how much by manufacturer to wholesaler, how much by manufacturer to retailer, and so forth. War Production Board and other agency files now contain essential data in this regard. In making such a determination, the role held by the disposal agency would be substituted for that held normally by the manufacturer in peacetime.

(i) The disposal of each type of surplus property should be concentrated in a single agency.

(j) The practice of permitting the salvage officers of the Army, the Navy, or the Maritime Commission to dispose of usable consumer goods, or to determine what is "waste, scrap, or salvage" should be discontinued.

(k) Samples of surpluses should be made available for inspection at strategic points.

(l) More time should be allowed between issuance of notice of sale and time of sale.

(m) Better descriptions of surpluses to be offered should be made available to interested purchasers.

(n) Credit departments should be established in the disposal agencies so that: (1) merchandise may be billed in the ordinary commercial manner and (2) the required time may be allowed for payment by the purchaser.

(o) A procedure should be established which would allow retailers or wholesalers to order merchandise on their own order blanks.

(p) The disposal agency should pack and ship goods bought by merchants.

(q) No surpluses should be offered for

sale upon which OPA price ceilings have not been established.

(r) The armed services should be required to exercise greater diligence in examining the lists of declared surpluses at the time this information is routed to them prior to the announcement of public sale.

(s) Consideration should be given to the use of surplus war plants as storage depots in those cases where a ready market for the plant in question does not exist.

(t) When a retailer, a wholesaler—acting upon behalf of his small retail outlets—or a consumer, feels that the percentage of the total declaration allocated to be sold to his class of buyer—see (h) above—is unfair, or when he fears that large or monopolistic interests have been favored in such original allocation, he shall have the right to request the Smaller War Plants Corporation to review the terms of the allocation determination with a view to having the Smaller War Plants Corporation exercise the purchase powers granted it in Public Law 457 on his behalf if his claim seems justified to that agency.

(u) Before discounts are granted to any buyer, that buyer must have previously submitted evidence of a satisfactory nature to the disposal agency to warrant his being classified in the particular group whose discount privileges he is requesting.

(v) Special discounts should be granted by retailers to veterans who make purchases of surpluses for their own personal use. It might be desirable to limit the total amount that any one veteran could purchase and still receive the discount, both as to dollars and items. The same formula might be used in the case of a veteran who desired to exercise his rights as a consumer and make direct purchase from the Government.

(w) Consideration should be given to use of a similar formula in the case of a veteran who wished to purchase certain types of surplus durable or capital goods to establish himself in a small business, in agriculture, or in a profession. In the case of a veteran desiring to engage in business on his own account, it is assumed that he would probably prefer to do business with a wholesaler who could supply him with other items from his balanced stock, items which might not be readily available as surplus.

(x) Industry advisory committees should be established for each class of surplus property and should be consulted freely. In order to establish policy for the most equitable distribution, these committees should include representatives of retailers and wholesalers and manufacturers where manufacturer interest exists. Small business should be given an equitable representation on such committees in proportion to the role which small business normally plays in the distribution of the items in question. This type of assistance is available at no cost to Government and could include the services of the best merchandising brains in the country.

(y) Surpluses, in which there is no general or continuing consumer interest because of prior use, military adaptability only, or general lack of salability,

shall not be disposed of under the above program. These surpluses shall be held off of the market until some agency, such as the Bureau of Standards, shall have done sufficient research to determine if they could be converted to other than original intended usage, except in the case of those items for which there is an apparent ready sale for export. In the case of export, these surpluses shall not be reimported to this country. When offered at public sale, these surpluses may be sold in odd lots at public auction or under a sealed-bid system. They should not then be reoffered at retail or otherwise as "government surpluses."

SURPLUS PROPERTY BOARD SHOULD EITHER ADOPT SUCH A PROGRAM OR STATE WHY IT IS NOT WORKABLE

In offering the foregoing recommendations, I do so in the sincere belief that only through the adoption of some such clear-cut program will the Surplus Property Board be offering to small business the fair and equitable treatment which the Congress intends for small business to receive at the hands of the Government in this great task of surplus disposal. As I stated in the beginning of these remarks, this is the greatest merchandising job in history. My program is devised to use the merchants of this Nation to do this job, wherever possible. It also makes adequate provision for the use of the smaller merchants from whose shelves the customers of this Nation are preponderantly served.

CHAINS AND MAIL-ORDER HOUSES REPORTED SEEKING SPECIAL CONCESSIONS—WILL BOARD RESIST THEIR PRESSURE?

It is reliably reported to me that representatives of the chains, mail-order houses, and large distribution outlets are now urging upon the Surplus Board the adoption of regulations which will permit their type of concern to acquire surpluses in larger quantities at prices which will enable them to undersell the small retailers who might handle identical surplus items. Quantity discounts are permissible, under the law, only where the manufacturer can effect large savings through dealing in such a manner. There are no manufacturers involved in transactions like these and I am hopeful that the Board will not be swayed by specious arguments from this special-interest group.

Congress gave the Board a mandate to protect small business. It will be interesting to note just how the Board carries out that mandate in the weeks to come.

Mr. BARDEN. Mr. Speaker, I understand a rule has been granted on this bill. I ask unanimous consent that the bill be passed over without prejudice.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

PRIVATE CALENDAR

The SPEAKER. The Clerk will call the first individual bill on the Private Calendar.

CHARLES A. STRAKA

The Clerk called the bill (S. 519) for the relief of the estate of Charles A. Straka.

There being no objection, the Clerk read the bill, as follows:

Be it enacted, etc., That the Comptroller General is authorized and directed to credit the accounts of the late Charles A. Straka, former postmaster at Milledgeville, Ill., with the sum of \$1,149.35, representing the total of the amounts claimed by him in his quarterly reports as compensation for the period May 1, 1940, to December 5, 1940, but disallowed by the General Accounting Office.

The bill was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

MRS. ZELMA INEZ CHEEK

The Clerk called the bill (H. R. 1671) for the relief of Mrs. Zelma Inez Cheek.

Mr. MCGREGOR. Mr. Speaker, I ask unanimous consent that the bill be passed over without prejudice.

The SPEAKER. Is there objection to the request of the gentleman from Ohio? There was no objection.

DR. J. D. WHITESIDE AND ST. LUKE'S HOSPITAL

The Clerk called the bill (H. R. 2930) for the relief of Dr. J. D. Whiteside and St. Luke's Hospital.

Mr. BARDEN. Mr. Speaker, I ask unanimous consent that the bill be passed over without prejudice.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina? There was no objection.

W. A. SMOOT, INC.

The Clerk called the bill (H. R. 1058) for the relief of W. A. Smoot, Inc.

There being no objection, the Clerk read the bill, as follows:

Be it enacted, etc., That the Secretary of the Treasury is authorized and directed to pay, out of any money in the Treasury not otherwise appropriated, to W. A. Smoot, Inc., Alexandria, Va., the sum of \$2,397.19. The payment of such sum shall be in full settlement of all claims of the said W. A. Smoot, Inc., against the United States for damages caused to its lumber and millwork plant located at Cameron and Union Streets, Alexandria, Va., as the result of an explosion on March 2, 1944, in a nearby building used and occupied by the Records Division of The Adjutant General's Office of the Department of War: *Provided*, That no part of the amount appropriated in this act in excess of 10 percent thereof shall be paid or delivered to or received by any agent or attorney on account of services rendered in connection with this claim, and the same shall be unlawful, any contract to the contrary notwithstanding. Any person violating the provisions of this act shall be deemed guilty of a misdemeanor and upon conviction thereof shall be fined in any sum not exceeding \$1,000.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

L. S. STRICKLAND AND MRS. MARGUERITE BOGGS

The Clerk called the bill (H. R. 246) for the relief of L. S. Strickland and Mrs. Marguerite Boggs.

There being no objection, the Clerk read the bill, as follows:

Be it enacted, etc., That the Secretary of Treasury be, and he is hereby, authorized and directed to pay, out of any money in the Treasury not otherwise appropriated, the sums of \$242.26 to L. S. Strickland, of Buchanan, Ga., and \$150 to Mrs. Marguerite

Boggs in full settlement of all claims against the United States on account of injury and damage sustained in a collision with a United States Army truck which occurred 3 miles south of Rome, Ga., on United States Highway No. 27, on April 17, 1943.

With the following committee amendments:

Page 1, line 5, strike out "\$242.26" and insert "\$120."

Page 1, line 6, strike out "and \$150 to Mrs. Marguerite Boggs."

Page 1, line 8, strike out "injury and."

At the end of the bill insert "*Provided*, That no part of the amount appropriated in this act in excess of 10 percent thereof shall be paid or delivered to or received by any agent or attorney on account of services rendered in connection with this claim, and the same shall be unlawful, any contract to the contrary notwithstanding. Any person violating the provisions of this act shall be deemed guilty of a misdemeanor and upon conviction thereof shall be fined in any sum not exceeding \$1,000."

The committee amendments were agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

The title was amended so as to read: "A bill for the relief of L. S. Strickland."

MARIE A. ATANASIO

The Clerk called the bill (H. R. 795) for the relief of Marie A. Atanasio.

Mr. TRIMBLE. Mr. Speaker, I ask unanimous consent that the bill be passed over without prejudice.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas? There was no objection.

MRS. C. J. RHEA, SR.

The Clerk called the bill (H. R. 1243) for the relief of Mrs. C. J. Rhea, Sr.

There being no objection, the Clerk read the bill, as follows:

Be it enacted, etc., That the Secretary of the Treasury is authorized and directed to pay, out of any money in the Treasury not otherwise appropriated, to Mrs. C. J. Rhea, Sr., of Windsor, N. C., the sum of \$800, in full satisfaction of her claim against the United States for compensation for property damage sustained by her as the result of the demolition of her automobile which occurred when the automobile, parked at the curb within legal lines in front of her dwelling, was struck by a United States Army command car at Windsor, N. C., on October 24, 1943: *Provided*, That no part of the amount appropriated in this act in excess of 10 percent thereof shall be paid or delivered to or received by any agent or attorney on account of services rendered in connection with this claim, and the same shall be unlawful, any contract to the contrary notwithstanding. Any person violating the provisions of this act shall be deemed guilty of a misdemeanor and upon conviction thereof shall be fined in any sum not exceeding \$1,000.

With the following committee amendments:

Page 1, line 6, strike out "\$800" and insert "700."

Page 1, line 6, strike out "satisfaction of her claim" and insert "satisfaction of all claims."

The committee amendments were agreed to.

The bill was ordered to be engrossed and read a third time, was read the third

time, and passed, and a motion to reconsider was laid on the table.

NORFOLK-PORTSMOUTH BRIDGE, INC.

The Clerk called the bill (H. R. 1599) to confer jurisdiction upon the United States District Court for the Eastern District of Virginia to hear, determine, and render judgment upon the claim of Norfolk-Portsmouth Bridge, Inc.

There being no objection, the Clerk read the bill, as follows:

Be it enacted, etc., That jurisdiction is hereby conferred upon the United States District Court for the Eastern District of Virginia to hear, determine, and render judgment upon the claim of Norfolk-Portsmouth Bridge, Inc., a corporation, its successors and assigns, against the United States for damages sustained by it or them, resulting from the alleged negligent operation of the steamship *John M. Moorehead* in causing the said steamship to collide with the Norfolk Portsmouth Bridge over the southern branch of the Elizabeth River, between the city of South Norfolk, Va., and the county of Norfolk, Va. The court shall have such jurisdiction if suit is instituted within 4 months after the date of enactment of this act, and the liability of the United States in such suit shall be determined upon the same principles and measures of liability as in like cases between private individuals.

With the following committee amendment:

Strike out all after the enacting clause and insert "that jurisdiction is hereby conferred upon the United States District Court for the Eastern District of Virginia to hear, determine, and render judgment upon the claim of Norfolk-Portsmouth Bridge, Inc., a corporation, its successors and assigns, against the United States for damages sustained by it or them, and resulting from alleged negligent operation of the steamship *John M. Morehead*, causing the said steamship to collide with the Norfolk-Portsmouth Bridge over the southern branch of the Elizabeth River, between the city of South Norfolk, Va., and the county of Norfolk, Va. In the determination of said claim the United States shall be held liable only to the extent to which a private person would be liable under like circumstances. Proceedings for the determination of said claim shall be had in the same manner as in cases of which said court has jurisdiction under the provisions of paragraph 20 of section 24 of the Judicial Code (36 Stat. 1093; U. S. C., title 28, sec. 41 (20)): *Provided*, That suit hereunder shall be instituted at any time within 4 months after the enactment of this act.

The committee amendment was agreed to.

The bill was ordered to be engrossed and read a third time was read the third time, and passed, and a motion to reconsider was laid on the table.

WHITE VAN LINE, INC.

The Clerk called the bill (H. R. 1792) for the relief of the White Van Line, Inc., of South Bend, Ind.

There being no objection, the Clerk read the bill, as follows:

Be it enacted, etc., That the Secretary of the Treasury is authorized and directed to pay, out of any money in the Treasury not otherwise appropriated, to the White Van Line, Inc., of South Bend, Ind., the sum of \$2,893.28. The payment of such sum shall be in full settlement of all claims of the said White Van Line, Inc., against the United States for the damages sustained by it resulting from

DIGEST OF PROCEEDINGS OF CONGRESS OF INTEREST TO THE DEPARTMENT OF AGRICULTURE
(Issued May 29, 1945, for actions of Monday, May 28, 1945)

(For staff of the Department only)

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HIGHLIGHTS: Senate completed Congressional action on emergency flood-relief bill. Both Houses agreed to conference report on extension-work bill; now ready to go to President. House passed bill continuing RFC subsidies and agreed to resolution providing additional funds for food investigation.

HOUSE

1. EXTENSION WORK. Both Houses agreed to the conference report on S. 383, authorizing additional appropriations for extension work (pp. 5269-70, 5317). (For provisions see Digest 104.) This bill will now be sent to the President.
2. SUBSIDIES. Passed with amendment S. 502, to continue RFC subsidies on rubber, meat, butter, flour, petroleum, and certain metals (pp. 5273-95).
Agreed to Rep. Sundstrom's (N.J.) amendment to relieve slaughterers of the obligation to repay subsidy payments unless convicted of willful violation of contract (pp. 5291-3).
3. EMPLOYMENT; SOCIAL SECURITY. Both Houses received the President's message urging Congress to "take emergency action to widen the coverage of unemployment compensation and to increase the amount and duration of benefits--at least for the duration of the present emergency period of reconversion"--for nonagricultural workers, Federal employees, small business workers, and maritime workers. To House Ways and Means and Senate Finance Committee. (pp. 5272-3, 5304-5.)
4. FOOD INVESTIGATION. Agreed to the resolution providing \$15,000 additional for the House Special Committee Investigating Food Shortages (pp. 5267-8, 5301).
Agreed to the resolution authorizing the printing of additional copies of the report of the House Special Committee Investigating Food Shortages (pp. 5268-69).
Rep. Patman, Tex., commended the food program (p. 5268).

5. RURAL ELECTRIFICATION. Rep. Rankin, Miss., commended the nomination of Claude R. Wickard to be REAdministrator (p. 5272).
6. TERRITORIES. Rules Committee reported a resolution directing the Territories Committee to conduct a study and investigation of various questions and problems relating to the Territories of Hawaii and Alaska (p. 5301).

SENATE

7. FLOOD RELIEF. Agreed to House amendments to S. 938, the emergency flood-relief bill (p. 5311). (For provisions see Digest 99.) This bill will now be sent to the President.
8. INTERIOR APPROPRIATION BILL, 1946. Appropriations Committee authorized to report this bill, H.R. 3024, during recess (p. 5348).
9. LEGISLATIVE APPROPRIATION BILL, 1946. Passed with amendments this bill, H.R. 3109 (pp. 5317-48). Conference were appointed (p. 5348). Sen. Overton, La., discussed the communications and travel expenses for Government employees in connection with the Little Steel Formula (p. 5321).
10. MILITARY TRAINING. Received N.H. and N.C. Legislature resolutions memorializing Congress in connection with post-war military training (p. 5306, 5308).
11. PUERTO RICO. Received a Puerto Rico Legislature resolution favoring an increase in Federal relief grants for Puerto Rico (p. 5307).
12. FOREIGN TRADE. Sen. O'Mahoney, Wyo., submitted an amendment he intends to propose to H.R. 3240, the reciprocal-trade bill, to provide "that Congress should be permitted to participate in fixing the rates which might be agreed upon in any such agreement" (p. 5311).
Military Affairs Committee reported without amendment S. 935, to continue until June 30, 1946, the Export Control Act (S. Rept. 313) (p. 5310).
13. BANKING AND CURRENCY. Sen. Tobey, N.H., inserted a Church of Christ paper favoring the Bretton Woods proposals (p. 5309).
14. AGRICULTURE PROGRAM. Sen. Butler, Nebr., inserted his statement, "Agriculture in the War and in the Future" (pp. 5315-7).
15. NOMINATION. Sen. Magnuson, Wash., commended the nomination of Judge Lewis B. Schwellenbach to be Secretary of Labor and included a Spokesman-Review editorial on the subject (p. 5348).
16. RECONSTRUCTION FINANCE CORPORATION. Received the RFC report for Feb. 1945. To Banking and Currency Committee. (p. 5306.)
17. MISSOURI VALLEY AUTHORITY. Sen. Cooper, Kans., inserted a Kans. State C of C resolution opposing the establishment of an MVA. To Irrigation and Reclamation Committee. (pp. 5309-10.)
18. SAVANNAH VALLEY AUTHORITY. Received a Charleston, S.C., C of C resolution opposing S. 737, to establish a Savannah Valley Authority. To Commerce Committee. (p. 5307.)

unemployment continues that long. The maximum payment, at least for the worker who has dependents, should be raised from present levels to not less than \$25 per week. In this connection, Congress will no doubt wish to reexamine the readjustment allowance provisions of the GI bill of rights. All payments should be made through the existing unemployment compensation machinery of the several States, just as payments to veterans are now made.

These provisions are essential for the orderly reconversion of our wartime economy to peacetime production. They are badly needed for the duration of the reconversion emergency.

Decent unemployment benefits would serve as a bulwark against postwar deflation. By assuring workers of a definite income for a definite period of time, Congress will help materially to prevent a sharp decline in consumer expenditures which might otherwise result in a downward spiral of consumption and production. Adequate unemployment insurance is an indispensable form of prosperity insurance.

Congress will soon deal with the broader question of extending, expanding, and improving our social-security program, of which unemployment insurance is a part. Although such improvement is fundamental, congressional deliberations on the broad issues will take time. On the specific issue of unemployment benefits, we may not have time available. We are already entering the first phase of reconversion; we must be prepared immediately for the far larger problems of manpower displacement which will come with the end of the war in the Pacific.

I earnestly hope, therefore, that the appropriate committees of Congress will undertake immediate consideration of the emergency problem.

HARRY S. TRUMAN.

THE WHITE HOUSE, May 28, 1945.

AUTHORIZING THE CONTINUATION OF CERTAIN SUBSIDIES

Mr. SLAUGHTER. Mr. Speaker, I call up House Resolution 264 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

Resolved, That immediately upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (S. 502) to permit the continuation of certain subsidy payments and certain purchase and sale operations by corporations created pursuant to section 5d (3) of the Reconstruction Finance Corporation Act, as amended, and for other purposes. That, after general debate, which shall be confined to the bill and shall continue not to exceed 3 hours to be equally divided and controlled by the chairman and the ranking minority member of the Committee on Banking and Currency, the bill shall be read for amendment under the five-minute rule. At the conclusion of the reading of the bill for amendment, the Committee shall rise and report the same back to the House with such amendments as shall have been adopted and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

Mr. SLAUGHTER. Mr. Speaker, this resolution makes in order the considera-

tion of S. 502, as amended by the House Committee on Banking and Currency. Very briefly, it provides for a continuation of subsidy payments on certain products such as petroleum, zinc, copper, flour, and some other commodities. The bill, of course, will be explained by the members of the Committee on Banking and Currency.

The speedy consideration of this bill is very urgent. For instance, in my district, which contains a large number of very large flour mills, I have had numerous communications this morning, both by wire and telephone, in which I was told that until they know what Congress does with this bill they are unable to proceed with their commitments. The same thing applies to these other commodities and industries affected. Consequently, to save time, I am not going to say anything further and I have no requests for time on this side.

Mr. Speaker, I yield 30 minutes to the gentleman from Illinois [Mr. ALLEN].

Mr. ALLEN of Illinois. Mr. Speaker, the gentleman from Missouri has very fully explained this rule. I may say there is no opposition to it on this side of the aisle. This bill passed the Senate unanimously, was reported out of the Committee on Banking and Currency unanimously, and the report of the Rules Committee was unanimous. The rule provides that upon its adoption it shall be in order that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (S. 502) to permit the continuation of certain subsidy payments and certain purchase and sale operations by corporations created pursuant to section 5d (3) of the Reconstruction Finance Corporation Act, as amended, and for other purposes. That after general debate, which shall be confined to the bill and shall continue not to exceed 3 hours, the bill shall be read for amendment under the 5-minute rule. Consequently, this is an open rule.

I have not heard of anyone being opposed to this rule. In fact, I have not heard of anyone being opposed to the bill itself. The United States Senate passed it without a dissenting vote. The Banking and Currency Committee reported it unanimously, as did the Rules Committee.

(a) Payments or purchases may be made after June 3, 1945, in such amounts as may be necessary to fulfill obligations incurred prior to July 1, 1945, with respect to 1945 and prior fiscal year activities.

(b) Payments and purchases may be made with respect to operations for the fiscal year ending June 30, 1946, which involve subsidies and anticipated losses as follows:

1. With respect to materials or commodities, other than rubber and rubber products, produced outside the United States, in an amount not to exceed \$80,000,000;

2. With respect to rubber and rubber products produced outside the United States, in an amount not to exceed \$60,000,000;

3. With respect to materials or commodities produced within the United States, as follows:

(A) Meat in an amount not to exceed \$595,000,000;

(B) Butter in an amount not to exceed \$100,000,000;

(C) Flour in an amount not to exceed \$190,000,000;

(D) Petroleum and petroleum products in an amount not to exceed \$290,000,000;

(E) Copper, lead, and zinc, in the form of premium payments, in an amount not to exceed \$88,000,000; and

(F) Other materials or commodities in an amount not to exceed \$100,000,000.

In my opinion, Mr. Speaker, and I know that I am joined by the great majority, this legislation is needed immediately, if we desire to safeguard the economies of the products and materials involved. Of special importance is the amounts for butter, meats, copper, lead, and zinc. The great mining industries of our country which gives employment to hundreds of thousands cannot survive unless they are given continued bonus quotas. We should begin now to provide stock piles of these strategic materials. We, here in the United States should never find ourselves short of lead, zinc, and copper as we did at the beginning of the last war. It is my hope that there will not be a dissenting vote.

Mr. SLAUGHTER. Mr. Speaker, I move the previous question on the resolution.

The previous question was ordered.

The SPEAKER. The question is on the resolution.

The resolution was agreed to.

Mr. SPENCE. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill S. 502, to permit the continuation of certain subsidy payments and certain purchase and sale operations by corporations created pursuant to section 5d (3) of the Reconstruction Finance Corporation Act, as amended, and for other purposes.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill S. 502, with Mr. COURTNEY in the chair.

The Clerk read the title of the bill.

By unanimous consent, the first reading of the bill was dispensed with.

Mr. SPENCE. Mr. Chairman, I yield myself 10 minutes.

(Mr. SPENCE asked and was given permission to revise and extend his remarks in the RECORD.)

Mr. SPENCE. Mr. Chairman, this is a bill reported unanimously by the Senate Committee on Banking and Currency, passed by the Senate without a record vote and I believe without any opposition. It merely continues the program of subsidies that the Congress has adopted.

Mr. Chairman, this is not a matter of first impression and I cannot conceive that anyone would at this time want to discontinue these subsidies. Under the great pressure that has been upon our economic system, we naturally would think there would be a great danger of inflation, which would have been more disastrous to the life savings and the property of all the American people than an invasion by the enemy. Overnight the people might have seen their property and their savings of a lifetime swept away. But fortunately that has not occurred and whatever may have been the criticisms as to the operation of the OPA and of the subsidies as they affect

various industries and interests, no man can say that over-all it has not been successful and that it has not maintained the economy of America safe and sound.

This bill provides for the continuation of these subsidies until June 30, 1946. Under section 2 (e) of the Emergency Price Control Act of 1942 as amended by the Stabilization Extension Act of 1944 these subsidies were prohibited unless provision was made for appropriations. Subsequent to that date, under a bill very similar to this one, the Commodity Credit Corporation was authorized to continue the subsidies paid by that Corporation. This bill authorizes subsidiaries of the Reconstruction Finance Corporation under section 5d (3) to continue the subsidies as they have been previously operative.

The bill provides for subsidies of \$1,-503,000,000. More than \$500,000,000 of these subsidies directly affect the United States Government because the United States Government is the purchaser of that proportion of the commodities. The immediate enactment of this act is a matter of great importance to the War Department because of the purchases of meat, butter, and flour for the armed forces and lend-lease and other purposes. Because of the imperative necessities, and at the urgent request of the War Department, we took the flour subsidy out of this bill for, as they said, delay would be injurious to the interests of the Government and of our armed forces. That bill passed the House, but it has not passed the Senate. This bill provides for a subsidy of \$60,000,000 for rubber produced outside of the United States and \$80,000,000 for the subsidizing of other materials produced outside of the United States. The other materials are copper, zinc, mica, antimony, rubber, lead, and nickel.

Mr. ROBSION of Kentucky. Mr. Chairman, will the gentleman yield?

Mr. SPENCE. I yield to the gentleman from Kentucky.

Mr. ROBSION of Kentucky. What is the necessity for the \$60,000,000 subsidy for rubber produced outside of the United States?

Mr. SPENCE. The production of synthetic rubber in the United States, while it is in the process of development, has not been sufficient to meet our needs. We certainly would not subsidize foreign rubber if we did not need it. We need the other materials outside of the United States also. The other materials, I have mentioned are the only foreign materials that are subsidized.

Mr. ROBSION of Kentucky. Right on that point, is it thought that after the war is over, after the emergency, it will then not be necessary to subsidize rubber and these other materials we speak of which are being produced in foreign countries?

Mr. SPENCE. These are all strategic materials necessary for the prosecution of the war, and I am confident there will be no necessity for subsidizing after the war.

Mr. MAY. Mr. Chairman, will the gentleman yield?

Mr. SPENCE. I yield to the gentleman from Kentucky.

Mr. MAY. There are about 60 or 70 strategic materials on the War Department list. These are all essential war materials. We have consumed practically 90 percent of the stock pile that we had on hand at the early part of the war. We are now particularly in need of rubber, and I am sure that if there is money in this proposal to subsidize rubber that it is not a mistake to do it in the interest of national defense.

Mr. SPENCE. I think the gentleman's observation is correct. Of all the subsidies contained in this bill, only \$140,-000,000 are for materials that are produced outside of the Territorial limits of the United States. It provides for \$595,-000,000 of subsidies for meat, \$100,000,000 for butter, \$190,000,000 for flour, and \$88,000,000 for strategic materials, copper, lead, and zinc produced in the United States, and \$100,000,000 to be used for materials not specified but for which there might be a use and that does require their increased production in the United States.

Bauxite, which is produced in Arkansas and is a strategic material needed in the production of aluminum, is in danger of being destroyed in the mines by subterranean waters. It is necessary to immediately mine this bauxite in order to save it, and there is in the bill an amendment adopted on the floor of the Senate that the Metals Reserve Company, with the approval of the Bureau of Mines, may purchase not exceeding 500,000 long tons of bauxite. We feel that this is a very necessary measure because it may be the means of preserving this strategic material that is so useful in the prosecution of the war and otherwise would be lost.

It seems to me that whether or not we agree, and some people do not, that a subsidy is a proper method to carry out this necessary program that has been adopted, it has been successful in holding down the prices of these products, and it has been successful in increasing production; and at this time we could not substitute any other method for it.

I think that with all the criticism that has been directed against the OPA and against subsidies, when we consider the mighty pressures that have been brought to bear on our economy the program has been manifestly successful and deserves the gratitude of the American people.

The CHAIRMAN. The time of the gentleman from Kentucky has expired.

Mr. SPENCE. Mr. Chairman, I yield myself five additional minutes.

I remember when we had the hearings on the OPA before the Committee on Banking and Currency. It was a wailing wall for about 40 days. Most of the people who came there had complaints, many of which were just, but not one of the witnesses, as I recall, ever asked that the Price Control Act be repealed. They all knew the implications of it, they knew what it meant to them, and they knew what it meant to the economy of the Nation.

It has served a great purpose. This bill, if enacted, will carry out the program that has been adopted and that has been proven by experience to be effective and successful. I cannot conceive that there will be any considerable

vote against this bill. Every one of the industries affected by this bill is vitally interested in it. Its passage means the stabilization of the prices of the materials and products mentioned for the next year.

We have provided in the bill that commitments made in 1944 may be carried out, and that these limitations apply only to the fiscal year ending June 30, 1946.

I do not see that there is any necessity to prolong the debate in regard to this bill, and I hope the House will voice its confidence in this program by the vote it gives to it.

Mr. MAY. Mr. Chairman, will the gentleman yield?

Mr. SPENCE. I yield to the gentleman from Kentucky.

Mr. MAY. Essentially and fundamentally I am opposed to subsidies, and I do not like to vote for a subsidy for anything. However, at this particular time of transition from the difficulties of a war period back to peacetime production, there is a vacuum, a space of time between those two events that makes it necessary that we have something to stabilize things along the line. If there ever was a time when a subsidy was necessary, particularly on essential war materials for the future and on essential industrial materials, now is the time.

May I say to my colleague from Kentucky, who is handling this problem well, that recently I introduced at the request of the vast mineral industries of the great West a bill to provide for stock piles of strategic materials. It is my purpose in the hearings to develop the question of whether or not that proposal is going to threaten the production of private enterprises. If it does, the bill will not be brought in because I am going to try to see that the private enterprises of this country are protected.

Mr. SPENCE. The statement of the gentleman from Kentucky is eminently sound. This is not a matter of first impression. This policy has been adopted by the Congress. We cannot recede from it and carry out any other policies at this time. Therefore, whatever might have been your first impression about subsidies, I do not think it would be logical to attempt to deviate from a policy which we have adopted and which has proved successful and which has served the purpose for which it was adopted.

Mr. DONDERO. Mr. Chairman, will the gentleman yield for a question?

Mr. SPENCE. I yield.

Mr. DONDERO. It only applies, as I understand it, to such purchases or obligations which may have been made or will be made after June 30 of this year?

Mr. SPENCE. That is right.

Mr. DONDERO. Do I understand, therefore, that it does not propose new obligations to be incurred after June 30, 1945?

Mr. SPENCE. Only if the Congress of the United States authorizes it, of course. With the specific provision that it shall not continue after June 30, 1946. Of course, it is not beyond the power of the Congress and the Congress can again provide for subsidies if it feels they are necessary after June 30, 1946. But pro-

visions of this bill are ineffective after June 30, 1946.

The CHAIRMAN. The time of the gentleman from Kentucky has again expired.

Mr. SPENCE. Mr. Chairman, I yield myself five additional minutes.

Mr. BROWN of Georgia. Mr. Chairman, will the gentleman yield?

Mr. SPENCE. I yield.

Mr. BROWN of Georgia. Would the gentleman explain section 2, the last section of the bill, relating to slaughterers who are found not eligible for extra compensation payments?

Mr. SPENCE. That is the section with reference to the payment of subsidies to slaughterers who have received the subsidies in good faith, thinking they were entitled to them. Where the repayment of the subsidy would work an inequity, the slaughterer may be relieved of the repayment of the subsidy which has been paid to him in good faith but to which he was not entitled under the law if strictly construed. That section was introduced because, in some instances, a great hardship was worked upon the slaughterer. Some times the slaughterer was compelled to go out of business when he had to repay the subsidy. This section was introduced, not only for the purpose of doing justice to the slaughterer, but to bring about increased production. At this time we need all of the foodstuffs it is possible to obtain.

Mr. ROBSION of Kentucky. Mr. Chairman, will the gentleman yield?

Mr. SPENCE. I yield to the gentleman from Kentucky.

Mr. ROBSION of Kentucky. The small butchering establishments and slaughterers in my section of Kentucky have been put out of business. I have had letters from other parts of the State claiming the same thing. I think it is true and that really has worked a hardship on the slaughterers who took in the cattle and the hogs and so forth. I should like to know if there is anything in this bill which will alleviate that situation or relieve that situation if that is the condition.

Mr. SPENCE. I think in many instances the condition you describe may have occurred. Where they have been required to pay back subsidies they may be unable to continue in business. If it is felt that the repayment of the subsidies will work an inequity and cause closing of their plants or establishments, they can be relieved of it.

Mr. ROBSION of Kentucky. That is not the point.

Mr. BROWN of Georgia. Will the gentleman yield to me?

Mr. SPENCE. I yield.

Mr. BROWN of Georgia. I think what the gentleman from Kentucky [Mr. ROBSION] has reference to is that the OPA requires the small slaughterers throughout the country to obtain a Federal license. Of course, we could not put that into this bill.

Mr. ROBSION of Kentucky. That is one way you are going to relieve the situation.

Mr. BROWN of Georgia. You will have to take that up under the OPA extension.

Mr. SPENCE. The Senate bill provided for \$560,000,000 as a meat subsidy. We increased it to \$595,000,000 to comply with the 10-point program that has recently been adopted by the OPA.

The CHAIRMAN. The time of the gentleman from Kentucky has again expired.

Mr. ROBSION of Kentucky. Will the gentleman take another minute, please? I want to ask him a question.

Mr. SPENCE. I yield myself 1 additional minute.

Mr. ROBSION of Kentucky. That is really not the point, because under some sort of regulation these small slaughterers have been put out of business. In my section of the country they gathered up the stock in that community, the hogs and cattle, and slaughtered it and distributed it, but they have been put out of business, and that has encouraged the black market.

Mr. SPENCE. Those are administrative matters that are not within the scope or purpose of this bill.

Mr. ROBSION of Kentucky. This bill has nothing to do with that, then?

Mr. SPENCE. This bill has nothing to do with that. Those are administrative matters. Many of the objections which are made are to administrative matters. This merely gives an opportunity to carry out the program. If there are errors made in the administration of that program, they should be corrected, but this bill has no such purpose, but provides only for the subsidies as heretofore used.

Under leave granted I herewith append two analyses of the bill prepared by the general counsel of the Reconstruction Finance Corporation:

STATEMENT ON S. 502 AS REPORTED BY THE HOUSE BANKING AND CURRENCY COMMITTEE

The purpose of this bill is to assist in controlling inflation and to aid in the war program by permitting the continuance for the fiscal year ending June 30, 1946 of certain subsidy payments which are now being paid by the corporations created pursuant to section 5d (3) of the RFC Act, as amended. The legislation is necessary by reason of the last paragraph of section 2e of the Emergency Price Control Act, as amended by the Stabilization Act of 1944. This paragraph reads as follows:

"After June 30, 1945, neither the Price Administrator nor the Reconstruction Finance Corporation nor any other Government corporation shall make any subsidy payments, or buy any commodities for the purpose of selling them at a loss and thereby subsidizing directly or indirectly the sale of commodities, unless the money required for such subsidies, or sale at a loss, has been appropriated by Congress for such purpose; and appropriations for such purpose are hereby authorized to be made."

The soundness of the principle of this provision certainly is not subject to question but experience has demonstrated that it is virtually impossible to carry on necessary programs by coming to Congress for specific appropriations, as the paragraph requires.

The bill as originally introduced both in the House and Senate was designed to permit the continuation of some, but not all of these subsidies after June 30, 1945. The Senate has

amended the bill as introduced so as to embrace all of the activities of the corporations created or operations authorized to be performed pursuant to section 5d (3) of the RFC Act, as amended, which the Senate considered to be affected by the last paragraph of section 2 (e) of the Emergency Price Control Act, as amended. Your committee, after hearing testimony from representatives of the Office of Price Administration, the Office of Economic Stabilization, the Foreign Economic Administration and the Reconstruction Finance Corporation, agreed with this Senate change.

The bill now before the House follows almost the identical pattern that was adopted with reference to the Commodity Credit Corporation at the time of consideration of S. 298, later enacted into Public Law 30, which relieved the Commodity Credit Corporation from the provisions of the paragraph, but limited the amount which could be expended in the way of subsidies.

The total amount authorized in this bill is \$1,468,000,000, and on each item or group of commodities a dollar limitation is imposed in the same manner as was provided in the Commodity Credit Corporation Act.

By way of explanation, however, of the total amount provided for, at least \$500,000,000 is accounted for through purchases by the Government itself, leaving a net amount of approximately \$900,000,000. This amount, together with the \$845,000,000 that is provided in the Commodity Credit Corporation Act, aggregates less than the \$2,000,000,000 estimate for the entire subsidy program which has been recommended by the agencies involved as sufficient to do the job.

There is also a provision to the effect that if the entire amount of any of the stated allocations is not required for its purpose, the unused portion, but not to exceed 10 percent of such allocation, may be used for making payments on or purchases of any other item or items enumerated in the bill as may be determined by the Director of Economic Stabilization. It is believed that in order to provide for unforeseen contingencies flexibility within each of the stated limitations, but not to exceed 10 percent, is desirable. However, this provision does not, of course, increase the aggregate amount of the total over-all limitation imposed by the bill on anticipated losses involving payments and purchases made with respect to operations for the fiscal year ending June 30, 1946.

The bill differs in some respects from the Senate bill. It omits the provision of the Senate bill relating to the premium-price plan for copper, lead, and zinc, with the effect that these metals are placed on the same basis as other items named in the bill.

Your committee has approved a provision added on the floor of the Senate which has to do with 500,000 tons of bauxite ore in Arkansas which at the present time is available for mining, and if not mined will probably be lost permanently. The amendment provides that Metals Reserve Company may continue to buy this bauxite ore at the price they were paying prior to the discontinuance of the purchase program on recommendation of the Bureau of Mines. The maximum which may be purchased, however, is 500,000 long tons. This bauxite is a very necessary source of aluminum and it would be unfortunate were it allowed to be permanently lost.

A new section was added to the Senate bill which is intended, with respect to slaughterers not in a class eligible for extra compensation under Livestock Slaughter Payments Regulation No. 3 of Defense Supplies Corporation, to make possible adjustments in cases where the Director of Economic Stabilization or any agency authorized by him determines that the slaughterer believed reasonably

and in good faith that he was eligible to receive such compensation, and that failure to make adjustments would be inequitable.

ADDITIONAL STATEMENT ON S. 502, AS REPORTED BY THE HOUSE BANKING AND CURRENCY COMMITTEE

Item No. 1 under subparagraph (b) of section 1 of the bill places a dollar limitation of \$80,000,000 as to subsidy payments and anticipated losses with respect to materials or commodities other than rubber and rubber products produced outside of the United States. This relates primarily to the operations of the Foreign Economic Administration through the United States Commercial Company. The commodities involved include quartz crystals, mica, tin, lead, copper, nickel, antimony, and many other commodities required in the war effort.

Item No. 2 provides a similar dollar limitation of \$60,000,000 with respect to anticipated losses in handling rubber and rubber products produced in foreign countries. This item pertains only to natural rubber and natural-rubber products, and involves the joint activities of both Rubber Development Corporation and Rubber Reserve Company, Rubber Development handling the procurement and importation of natural rubber in foreign countries, while Rubber Reserve handles the domestic distribution and sale of such natural rubber.

Item No. 3, pertaining to materials and commodities produced in the United States, includes meat, butter, flour, petroleum and petroleum products, copper, lead and zinc, and other materials or commodities.

The increased cost of the meat subsidy program as compared with 1944 depends largely on the level of cattle prices and the amount of additional relief to be given to pork slaughterers. The Defense Supplies Corporation has estimated that the cost of the meat subsidy program in 1944 was approximately \$480,000,000. The Office of Price Administration and Defense Supplies Corporation estimate that the new program initiated since January 10 of this year will increase the amount of subsidy by about \$115,000,000. The amount of the slaughter and the range and the price of the cattle, however, will determine the cost of this subsidy program.

Butter subsidy payments are made to operators of plants manufacturing dairy products on the amount of butter produced each month to compensate them for a reduction in butter prices under Office of Price Administration regulations. Payments are made at the rate of 5 cents per pound both on ordinary butter and processed butter. The original estimate of the Office of Price Administration of the cost of the butter subsidy for a fiscal year was \$100,000,000 based on normal production, and we believe that this figure will be sufficient for all contingencies during the fiscal year 1946.

The flour subsidy program began on December 1, 1943, payments being made to mills on the wheat ground in flour in order to compensate them for the difference between market prices for wheat and the wheat cost on which the Office of Price Administration flour ceilings are based. The rates of payment vary monthly with the wheat market, and if wheat stays at full ceilings with parity unchanged the subsidy would average about 30 cents a bushel. The maximum cost of the subsidy for the fiscal year 1946 would be \$190,000,000 on these assumptions.

For petroleum and petroleum products it is estimated that \$290,000,000 will be required for the fiscal year ending June 30, 1946. These subsidies are paid under four separate programs.

1. Petroleum Compensatory Adjustments Regulation No. 1. Under this program oil companies are compensated for the extra costs involved in transportation from Petroleum Administration for War districts Nos. 2

and 3 into district No. 1 by tank car, pipe line, or other transportation methods as compared with normal transportation by tanker. Its purpose is to maintain a steady and adequate flow of petroleum and petroleum products in the Atlantic coast area and to maintain existing price structures.

The program was initiated on August 1, 1942, upon recommendation of the Petroleum Administration for War, the Office of Price Administration, the War Department, the Navy Department, and the Office of Defense Transportation. It is estimated that the net loss under this program during the fiscal year ending June 31, 1946, will be in the amount of approximately \$150,000,000.

2. Petroleum Compensatory Adjustments Regulation No. 5: Under this program refiners are compensated for extra transportation costs involved in shipping crude oil by tanks or barges from points in Petroleum Administration for War district No. 3 and certain points in district No. 4 to destinations in district No. 2. Under the program shipments by pipe lines are considered to be the normal means and the extra transportation costs result from the use of tank cars or barges. The purpose of the program is to provide an adequate supply of crude oil to refiners in district No. 2 in order to maintain war and essential civilian production. This program was initiated on December 1, 1943, having been sponsored by the Office of Price Administration, the Petroleum Administration for War, and the Office of Defense Transportation. Twenty million dollars is estimated to maintain the program during the fiscal year ending June 30, 1946.

3. Stripper well compensatory adjustments program: This program is designed to maintain and possibly increase the national production of crude oil by increasing the maximum prices of crude oil from fields averaging less than nine barrels daily per well.

The program was initiated in August 1944, having been sponsored by the Office of Economic Stabilization, the Office of Price Administration, and the Petroleum Administration for War. It is estimated that approximately \$75,000,000 will be required to carry out this program during the fiscal year ending June 30, 1946.

4. Movement of crude from west Texas to California. Under this program there will be paid to purchasers certain excess charges involved in the movement of crude petroleum from West Texas to California over the laid-down cost in California of comparable crude petroleum.

This program was initiated in December 1944 and it is estimated that disbursements for the fiscal year ending June 30, 1946, considering increased shipments during this year to California, will approximate \$45,000,000.

All four of these petroleum subsidy programs are paid by Defense Supplies Corporation.

The fundamental purpose of the copper, lead, and zinc premium price plan is to stimulate domestic production of these metals by marginal producers. From the viewpoint of price control the plan has avoided the necessity for general price increases for the commodities with a consequent over-all savings to the Government, which, being the purchaser in one form or another of a large part of the production of materials under war conditions, would have had to absorb any price increases.

This program was instituted on January 12, 1942, and was broadened by subsequent recommendations of the War Production Board and the Office of Price Administration. Estimated costs of the program planned for the fiscal year ending June 30, 1946, include \$33,000,000 for copper premiums, \$15,000,000 for lead premiums and \$40,000,000 for zinc premiums, aggregating \$88,000,000. These payments will be made by Metals Reserve Company.

It is estimated that \$100,000,000 will be required in the instance of certain miscel-

laneous materials or commodities for the fiscal year ending June 30, 1946.

These would include payments by Defense Supplies Corporation for the excess of actual cost of transportation over normal cost of moving coal from certain areas to New York and to New England, wood pulp, calcium carbide, jewel bearings, and certain other miscellaneous items.

The \$100,000,000 estimate would also include direct payments by Metals Reserve Company, aside from the copper, lead, and zinc premium price payments, to zinc smelters handling certain types of domestic zinc concentrates, to detinners recovering tin from the treatment of salvaged tin cans, and for production of low-carbon ferrochrome. In addition, the \$100,000,000 estimate would include Metals Reserve Company losses with respect to the processing of fluorspar, chemical chrome, copper, antimony, lead, steel ingots, and certain scrap items. Metals Reserve Company also incurs losses under various mining or metallurgical projects with respect to arsenic, manganese, mica, cobalt-nickel, nickel, and zinc. Finally, Metals Reserve Company's operations, included in the \$100,000,000, involve losses on certain foreign purchase contracts and relatively minor losses on miscellaneous domestic purchases.

The CHAIRMAN. The time of the gentleman from Kentucky has expired.

Mr. WOLCOTT. Mr. Chairman, I yield myself 15 minutes.

Mr. Chairman, it will be recalled that on two, and possibly three, occasions the Congress has been called upon to give consideration to certain policies in respect to price control, having to do largely with the payment of consumer subsidies rather than an increase in prices to absorb the difference between what is being charged for any commodity and what should be received by the producer to encourage him to maintain a maximum amount of production. I think we can be very proud of the fact that on each of those occasions we fought valiantly, if not successfully, against the payment of subsidies, on the premise that the payment of subsidies did not reduce the cost of living. As a matter of fact, it increases the cost of living in many instances, because for every dollar the Treasury pays out in subsidies, we or our sons and daughters, grandsons and granddaughters, and perhaps our great-great-grandsons and great-great-granddaughters, will have to pay \$3 back into the Federal Treasury.

We fought subsidies on the premise that we were passing on part of our food bill threefold to coming generations. We lost the fight. The only alternative to giving sufficiently high prices, under strict control, of course, to encourage a maximum production of meat and butter and flour is the payment of subsidies. We set up a provision in the Price Control Act as it was originally enacted authorizing the administration, through the Reconstruction Finance Corporation—section 5 (d) of the act—to create corporations and through these corporations to pay subsidies to obtain a maximum amount of strategic and critical materials. No one had in mind food as a strategic and critical material at that time; we had in mind rubber, copper, lead, zinc, nickel, chrome, all the other things which we wanted to use in the war effort. As a matter of fact, the reason we set up 5 (d) of the Reconstruction Finance Corporation authorizing

these subsidiary corporations was so that we could acquire excess stockpiles of these strategic and critical materials against the day when, because of transportation or production difficulties, we would have insufficient raw materials with which to manufacture our war goods.

The fight started on the payment of the rollback subsidies as we call them, and to avoid a fight here in the Congress the President added butter and meat to his list of strategic and critical materials, thereby authorizing the Metals Reserve Company, the Rubber Reserve Company, and a new corporation which was organized for the purpose called the Defense Supplies Corporation to pay subsidies, rollback subsidies, consumer subsidies on butter and meat without having to refer the question to Congress. It was charged that that was intellectually dishonest, but it did not have any effect when it came to voting on the adoption of the subsidies later on.

Last year when the OPA Act was up for extension we prevented the expansion of the subsidy program by this indirect method of adding other materials which were to be used for human consumption, largely food, of course, to the list of strategic and critical materials. We provided:

With the exception of any commodity which prior to the effective date of this amendatory proviso has been defined as a strategic or critical material pursuant to section 5d of the Reconstruction Finance Corporation Act, as amended, no agricultural commodity or commodity manufactured or processed in whole or substantial part from any agricultural commodity intended to be used as food for human consumption, shall, for the purpose of this subsection, be defined as a strategic or critical material pursuant to the provisions of said subsection 5d of the Reconstruction Finance Corporation Act as amended.

We thereby froze the program as far as the RFC was concerned to meat, butter, and flour. We prevented them from expanding their subsidy program in that manner.

We also provided in the same act that—

After June 30, 1945, neither the Price Administrator nor the Reconstruction Finance Corporation nor any other Government corporation shall make any subsidy payments, or buy any commodities for the purpose of selling them at a loss and thereby subsidize indirectly the sale of commodities, unless the money required for such subsidies, or sale at a loss has been appropriated by Congress for such purpose; and appropriations for such purpose are hereby authorized to be made.

So when we passed the extension act last year we froze the RFC subsidy program. We also prevented the Government from paying any subsidies after June 30, 1945, unless they were specifically authorized by the Congress.

The bill which we have before us today is a bill which amends the language I have just read in certain respects and defines the limits within which the subsidies may be made, both as to time and as to amount, and also as to the articles upon which subsidies may be paid. What we really do is to continue the subsidy programs for another year, giving the administration what is considered ample

funds with which to obtain the maximum amount of meat, of butter, and of flour. We should have definitely in mind that any deficiencies in the production program cannot be attributed to the Congress or the acts under which the administration is functioning. If there is a shortage of meat, if there is a shortage of butter, if there is a shortage or threatened shortage of flour, it is not because the Congress has not given the administration all of the authority which it has ever asked for to do the job, but lies primarily in the misadministration of the laws which we have passed and the shortsightedness on the part of certain administrators in respect to the commodities which I have mentioned.

Mr. ROBSION of Kentucky. Mr. Chairman, will the gentleman yield?

Mr. WOLCOTT. I yield to the gentleman from Kentucky.

Mr. ROBSION of Kentucky. We have indicated the various critical materials and the amounts which shall be appropriated for them. Then we come down to (F).

Mr. WOLCOTT. That is what I was going to talk about.

Mr. ROBSION of Kentucky. And that \$100,000,000.

Mr. WOLCOTT. I am going to refer to that.

Mr. ROBSION of Kentucky. I want to know about that blank check.

Mr. WOLCOTT. I anticipate the gentleman's question in that respect.

The administration a short time ago laid out a 10-point program under which we were given reasonable assurance that they could do a better job on meat, flour, and butter. We hope they can and we should give them an opportunity to do so, but there is not any particular legislation needed for them to put into effect this 10-point program. But for the criticism of the two committees set up, one in the other body and one in this body, and the debates on the question in the other body and in this body, they undoubtedly would have continued under the old fallacious idea that we can produce meat and produce all of these other agricultural commodities at a loss, and still get adequate production. So we gave them what they asked for, another \$35,000,000 to carry out the meat program, and if there is any failure on the part of that program, the failure is administrative, not legislative. Then, also, in order that there might be no question about their having enough money to carry out these programs, inasmuch as they set up the subsidy program as a means of getting production, we just threw in another \$100,000,000 for good measure so that there will not be any excuse whatever for their not having money enough to pay sufficient subsidies with which to encourage adequate production to give everyone in our armed forces and all of our civilians ample beef, butter, and flour.

Mr. AUGUST H. ANDRESEN. Mr. Chairman, will the gentleman yield?

Mr. WOLCOTT. I yield to the gentleman from Minnesota.

Mr. AUGUST H. ANDRESEN. The gentleman referred to the 10-point program. There have been several programs within the past 6 weeks. The first

10-point program was not even a half-way measure, and was modified and extended later on, and just last Monday a week ago today we had the last program which called for more subsidies and which we do not believe is as yet sufficient to get the production. I just wanted to point out to the gentleman that it appears they go piecemeal rather than trying to accomplish the result which they should go after in getting more food for the people.

Mr. ROBINSON of Kentucky. Mr. Chairman, will the gentleman yield?

Mr. WOLCOTT. I yield to the gentleman from Kentucky.

Mr. ROBSION of Kentucky. Along that same point, as I understand, this \$100,000,000 is rather a blank check. Can they not, under that provision, go out and name other materials and commodities and enlarge the subsidy program?

Mr. WOLCOTT. They can up to \$100,000,000. In addition, starting in line 19, page 5, immediately following the sum of \$100,000,000 provided for in paragraph (f), we find this language:

Provided, That in the event the entire amount of any of the above allocations is not required for its purpose, the unused portion of such allocation, but not to exceed 10 per centum of such allocation, may be used for making such payments on and purchases of any other item or items enumerated in this act, as may be determined by the Director of Economic Stabilization.

So they can take 10 percent of any item which is not used and use it in connection with any other item.

Mr. ROBSION of Kentucky. Congress undertakes to limit the program; I mean, as to articles, and so forth, named. Now it is wide open and we can go just as far as we want to.

Mr. WOLCOTT. No.

Mr. ROBSION of Kentucky. I mean for \$100,000,000. You can name many other things.

Mr. WOLCOTT. Let us be very practical about the situation. I do not think we should give the Administration one cent more than they have asked for to do this job, and that is what we have done in this bill. Neither do I think that we should reduce the amount by one cent more than they have asked for, and thereby assume the responsibility for any food shortages.

The CHAIRMAN. The time of the gentleman from Michigan has expired.

Mr. WOLCOTT. Mr. Chairman, I yield myself five additional minutes.

Mr. SMITH of Wisconsin. Mr. Chairman, will the gentleman yield?

Mr. WOLCOTT. I yield to the gentleman from Wisconsin.

Mr. SMITH of Wisconsin. Are we to assume that the subsidies for meat, butter, and flour are consumer subsidies?

Mr. WOLCOTT. Strictly consumer subsidies. They have nothing whatsoever to do with production. They are not reflected back to the producer. They are subsidies for which I have always contended, there is no authority in law. The law now provides that "whenever the Administrator determines that the maximum necessary production of any commodity is not being obtained or may not be obtained during the ensuing year

he may on behalf of the United States without regard to the provision," and so forth, pay those subsidies, and he may pay them through the RFC. All of these subsidies are for the purpose of obtaining necessary maximum production, and I will defy anybody to show me in any law which the Congress has ever passed that they ever had any authority to pay any subsidies for the purpose of maintaining maximum prices.

Mr. MONRONEY. Mr. Chairman, will the gentleman yield?

Mr. WOLCOTT. I yield to the gentleman from Oklahoma.

Mr. MONRONEY. Is it not necessary also to have a little bit extra above the amount specified to take care of the increases of production of meat or butter or flour?

Mr. WOLCOTT. Probably so.

Mr. MONRONEY. Otherwise we would be limiting ourselves to the exact amount that we produced last year. So we have to have an extra amount in there to take care of that.

Mr. WOLCOTT. We have all received correspondence from constituents saying, "What is the Congress going to do about this food shortage?" Congress has done everything that the Congress can do in respect to this food shortage. They have given the administration every bit of power, they have asked for. They have condoned the use of power which it is contended they never did have, and we have given them every cent of money that they wanted and have asked for to do this job. So if there are any deficiencies in the administration of the war-food program or the price-control program, they are not legislative, they are administrative. The people should have a right and we, perhaps as an obligation should continue, to investigate the war-food picture, because the more we investigate, the more sense is used in the development of these programs. If it had not been for the investigations which the Congress has made there undoubtedly would not have been a recognition on the part of the War Food Administration and the OPA of these shortages.

It seems rather peculiar to all of us that just last fall they took points off all but a few choice cuts of beef, and then so soon after the election was over they put them back on all cuts of meats, so that you cannot even buy a frankfurter today without giving points for it. To me that is a very shortsighted approach to the food program, because the beef which we are slaughtering and eating today surely was not bred yesterday. You cannot get a beef critter ready for the market in 24 hours.

Mr. MOTT. Mr. Chairman, will the gentleman yield?

Mr. WOLCOTT. I yield to the gentleman from Oregon.

Mr. MOTT. May I ask the gentleman, who probably has made as thorough a study of this whole question as anyone in Congress, how much longer he thinks we must continue this subsidy system? The gentleman will recall that last year we failed to stop subsidies altogether by a small margin, and the gentleman led the fight to stop this subsidy system. We

were not able to do that, so it was provided that after June 30 of this year the subsidies should cease under certain conditions. May I ask if what we are doing now in passing this bill is not just continuing a vicious circle that we will never be able to break, so that subsidies will remain a permanent policy of the Government?

Mr. WOLCOTT. I should hate to think that subsidies would remain a permanent policy of the Government. That is why we are continuing this program from year to year. We all should be very much opposed to the continuance of these emergency programs for longer than a year, so that we can have a look at them again once every year.

The CHAIRMAN. The time of the gentleman from Michigan has expired.

Mr. WOLCOTT. Mr. Chairman, I yield myself five additional minutes.

I hope that some time in the fall our economic position will be such that we can sit down and formulate an intelligent program with respect to reconversion, price control, and rationing for the postwar era, having in mind any changes which might have developed in the meantime in our economic situation.

I believe the Congress is in no position at this time to rewrite an OPA bill. We shall not have time between now and the 30th of June, when OPA expires, to do an intelligent job on OPA. What we should do is continue OPA by a simple resolution without any changes whatever for a matter, we will say, of 90 days or 120 days—some arbitrary period, anyway—so that we can have a look at OPA and perhaps write out new formulas for the operation of OPA in the postwar or approaching postwar period.

Mr. MOTT. I hope the gentleman's committee, as soon as possible, will bring out some legislation which will give some hope of terminating the whole subsidy program, because OPA has not only demonstrated through the years its inability to perform but it has made a failure out of nearly everything it has done. Every one of us gets notices of examples of those failures nearly every day. But this law seems to go further than that. It seems to have debauched to a very great extent the beneficiaries under the law. The gentleman will remember last year when the butter producers were vehemently against the continuance of subsidies. The subsidies were continued. They got their subsidies. Now they all came in this year saying, "Do not drop the subsidies. We have had a taste of them. Now give us some more." That is a system of debauchery which is very dangerous.

Mr. WOLCOTT. To be realistic about the situation, we knew we had less support this year to fight against subsidies than we had last year. We lost last year, so it is futile to stand here year in and year out without the development of some formula for an increase in prices under strict control to offset the need for the payment of subsidies. The payment of subsidies is the only alternative. If you want to put it crudely, insofar as subsidies are concerned, we have the lion by the tail and we cannot let go.

Mr. MOTT. The result of that subsidy, I might say, was that the butter

makers and the others got the subsidy but the consumers did not get the product.

Mr. WOLCOTT. If I may correct the gentleman, the producers did not get the subsidy.

Mr. DONDERO. Who did receive the subsidy?

Mr. WOLCOTT. They are strictly consumer subsidies. The regulation provides simply that you shall pay 5 cents less a pound for butter than you would otherwise. Your daughters, sons, and grandchildren are not only going to pay 5 cents back into the Treasury, but it is quite generally agreed they are going to pay back 15 cents. So by the adoption of this program, you have passed on your butter, meat, and flour bill to your sons and daughters and you are compelling them to pay it 3 times over.

Mr. MOTT. I understand that, but I just wanted to observe that the subsidy having been granted, nobody in connection with any industry getting the subsidy now apparently wants to let go.

Mr. WOLCOTT. No; that is right.

Mr. VORYS of Ohio. Mr. Chairman, will the gentleman yield?

Mr. WOLCOTT. I yield to the gentleman from Ohio.

Mr. VORYS of Ohio. As I understand it, this measure is a compromise which arose out of the situation when we had a majority against subsidies but not two-thirds of the Members were against subsidies. Therefore, since we could not override the veto of the President, we were in a stalemate. That is the way the situation stands at present.

Mr. WOLCOTT. That is right. Up to the time we passed prohibitions against the payment of subsidies after June 30, 1944, the Congress had little or no control over the subsidy program at all. Now we have taken control over it. This bill which we have reported out today is the exercise of our control over subsidies.

Mr. VORYS of Ohio. What I want to find out is whether the gentleman or his committee has an expression from the new administration or from President Truman as to whether he takes the same position on subsidies which his predecessor did. Because if he takes the same position, then obviously it would be futile to go through the fight which we went through in preceding years.

The CHAIRMAN. The time of the gentleman from Michigan has again expired.

Mr. WOLCOTT. Mr. Chairman, I yield myself 10 additional minutes.

So far as I know, President Truman has sent no message to the Congress on the question of subsidies. It is presumed that because the War Food Administration, the Commodity Credit Corporation, the Reconstruction Finance Corporation, and the Defense Supplies Corporation, and the Metal Reserves Company, and all the other subsidiaries and agencies of the Government which appeared before the committee are in favor of them that they might be reflecting the President's attitude. However, as I recall, the hearings were had before Mr. Truman became President, so I do not know whether there has been any definite statement by President Truman as to

his position on the continuation of subsidies.

Mr. VORYS of Ohio. So far as I am concerned, I would be glad to go through the battle to try to stop consumer subsidies again if we had a reasonable chance of winning. But I am relying on the committee to tell us frankly we have not got much of a chance to win that battle and this is a sort of compromise where we can carry on the sort of thing we worked out after the battle when we could not get the two-thirds vote.

Mr. WOLCOTT. The gentleman is correct.

Mr. RIZLEY. I want to ask about subsection (d) on page 5, where it provides for \$290,000,000 for petroleum and petroleum products. What is that money to be used for, and how?

Mr. WOLCOTT. When the gentleman from Oklahoma [Mr. MONROE] takes the floor I wish the gentleman would ask him about that, because he is very familiar with it. He knows the story in detail. Although I am somewhat familiar with it, I do not feel competent to discuss it thoroughly.

Mr. RIZLEY. I want to say that I share the apprehension of the gentleman from Oregon [Mr. MOTT] with reference to this full subsidy set-up. I realize that no one made a harder fight than the gentleman from Michigan to stop this subsidy program on at least three occasions heretofore. However, there is quite a school of thought in this country to not only use consumer subsidies as a war measure but as a postwar measure. I know there are some people in high places who think that the whole tariff structure should be repealed, and subsidies used instead of tariff rates. Certainly I agree with the gentleman that just as soon as possible something should be done so that we can get away from this consumer subsidy program that was put over here as a war necessity, and certainly not make it a part of the postwar picture.

Mr. WOLCOTT. The gentleman is absolutely correct. I might say that for myself I look forward to the time when we will be able to take off all controls under the OPA, both on the rationing side and on the price side; all controls under the War Production Board, and all of the emergency controls so that we will be able to operate in a free market again. But probably we will have to continue rationing and we will have to continue price control until the production of consumer goods catches up somewhat with the demand. I wish we might authorize the administration to continue these controls so long as is necessary, and to remove them gradually as the production of consumer goods catches up with consumer demand. But we cannot operate that way. We have got to lay down some formulae for their guidance, unfortunately. We have had enough experience with bureaucracy to know that we cannot trust bureaucracy with a broad program of that nature and expect them to function as they should function.

Mr. DONDERO. Mr. Chairman, will the gentleman yield?

Mr. WOLCOTT. I yield.

Mr. DONDERO. I know that the able gentleman from Michigan, my colleague

[Mr. WOLCOTT] is opposed to consumer subsidies as I am opposed to such subsidies, and no Member has opposed them with greater ability than he has. Pursuing the inquiry of the gentleman from Kentucky [Mr. ROBSON], that this provides for a blank check of \$100,000,000, does not the gentleman agree that in view of the flexible clause of 10 percent there is a possible blank check of another \$150,000,000 in this bill, because the total amount, as I have added up these items, is \$1,583,000,000. Does the gentleman agree to that conclusion?

Mr. WOLCOTT. The gentleman is theoretically correct; yes.

Mr. DONDERO. So that there is a blank check of practically a quarter of a billion dollars in this bill?

Mr. WOLCOTT. I have in mind that the whole program calls for, \$1,583,000,000. If they do not need the money they should not use it. If they do need it they will use. What I started out to say was that as far as I am concerned, the administration is in one terrible hole right now with respect to food. Whether it is, as I think, the result of misadministration, poor judgment, or otherwise, we should not be interested except to make it clear that we believe it is the result of misadministration as opposed to any deficiencies in the legislation which we have enacted. You and I have been here long enough to have had a lot of practical experience in these matters. How easy it is, and how welcome in the minds of a great many bureaucrats it is to lay the blame for their own deficiencies and weaknesses and lack of judgment on the doorstep of the Congress. As far as I am concerned, we have set out a program under which they have to operate within limits.

The limits are not narrow enough, according to their own testimony so but what they ought to be able to do a full and complete job. Now, the narrowing of those limits by a hundred dollars might give them the opportunity to say that they asked for \$1,583,000,000 and Congress would not give it to them, so the Congress is to blame for all food shortages. I do not believe the Members of Congress if the trouble here in the United States today is misadministration, and I believe it to be misadministration, lack of judgment, I do not think for the matter of a hundred million dollars the Congress should be expected to assume the responsibility for mis- or maladministration in the enforcement of a congressional act which involves the matter of billions of dollars.

Mr. DONDERO. If subsidy payments are to be continued in the postwar era as suggested by the gentleman from Oklahoma [Mr. RIZLEY] does not that call for the continuation of Federal deficit spending in the years ahead?

Mr. WOLCOTT. Oh, yes; but I know of no reason why we should continue the payment of subsidies any further into the postwar era than is necessary to get the maximum amount of production.

Mr. DONDERO. If that is to be the policy may I say that many people in this country are beginning to ask how long we can continue that policy and continue the fiscal integrity of this Nation.

Mr. WOLCOTT. If we want to be realistic about it, Congress has adopted the payment of subsidies as a policy in lieu of prices to offset this differentiation under strict control, prices under strict control. I say that because I do not want anybody to say that we have to take off all control from prices merely to raise the price of meat 1 cent a pound. To be very practical about it, would it not be preferable to raise the price of meat 1 cent a pound and be assured that we were going to get an adequate amount of legitimate beef than to have to pay 10 cents a pound extra in the black market for beef of questionable grade or quality.

Mr. DONDERO. Certainly.

The CHAIRMAN. The time of the gentleman from Michigan has again expired.

Mr. WOLCOTT. Mr. Chairman, I yield myself five additional minutes.

I may say in further response to the gentleman's question that in this bill in which we provide substantially \$1,533,000,000, much of it for consumer subsidies, the taxpayers of the Nation have got to pay into the Federal Treasury between \$4,500,000,000 and \$5,000,000,000, because it is agreed that the taxpayers have to pay back into the Federal Treasury three dollars for every one the Treasury puts out as a subsidy.

Mr. HOPE. Mr. Chairman, will the gentleman yield?

Mr. WOLCOTT. I yield.

Mr. HOPE. The gentleman from Oregon a short time ago made the statement, as I understood him, to the effect that the recipients of these subsidies having received them, were not now willing to give them up, thereby implying that the meat packers and the millers and the dairy manufacturers were in favor of these subsidies and were asking for them. My understanding all the time has been that they were not in favor of subsidies, that they opposed the subsidies, but by reason of our schedule of price ceilings they were forced to accept the subsidies or go out of business. I should like to have the gentleman state if that is not the case.

Mr. WOLCOTT. That is absolutely the case. That was the policy we adopted here. If we are not going to give them a sufficient price then they must get the subsidy.

Mr. CASE of South Dakota. Mr. Chairman, will the gentleman yield?

Mr. WOLCOTT. I yield.

Mr. CASE of South Dakota. I was interested in the gentleman's observation that we ought not to take the responsibility for giving \$100 less than the amount requested for fear the program be imperiled. Does the gentleman believe the Committee on Appropriations ought to operate on that principle when agencies come before it and ask for increases in their operating personnel?

Mr. WOLCOTT. I believe that to be a question for the Appropriations Committee to decide for itself.

Mr. CASE of South Dakota. My idea is that they should not act on that principle.

Mr. WOLCOTT. I believe the Appropriations Committee should decide on that for itself. The Committee on Banking and Currency decided that they

did not want to assume the responsibility for food shortage merely because of the relatively small amount of \$100,000,000.

Mr. SMITH of Wisconsin. Mr. Chairman, will the gentleman yield?

Mr. WOLCOTT. I yield to the gentleman from Wisconsin.

Mr. SMITH of Wisconsin. Further pursuing the thought expressed by the gentleman from Kansas, the OPA is presently engaged in a campaign of selling to the people of this country the necessity for continuance of the OPA. Many of us do not doubt the advisability of doing it at this time.

Mr. WOLCOTT. We have got to do it.

Mr. SMITH of Wisconsin. Is it not pure fiction for them to maintain that they have absolutely stopped the inflationary spiral?

Mr. WOLCOTT. Oh, yes. When we get into that field let us call attention to shoes, for example. You go down now and buy a pair of shoes for \$6. You take them out in the rain and they fall apart. Then you buy another pair of shoes for \$6. So that your shoe bill is twice what it was before the OPA was operating. The same is true of things made up of sleazy material. You go out here in the cloakroom or you go to the cigar counters and you can see evidences of that. The retail cigar dealers, for instance, have pasted a higher price over the old price. I have a cigar in my pocket now as an example of that. This used to sell, and did up until a week ago, for 10 cents. I cannot afford to pay any more, but there being guests at the house last night I thought I would splurge, so I went down to the drug store to buy these cigars and I found they had pasted "two for a quarter" over the "10 cents" sign. That is an increase of 25 percent. I cannot afford to pay 25 or 35 cents for a 5-cent cigar, as we are required to do today. That is inflation and the OPA has not done anything about it. There are other ways of inflation besides increasing prices. You can inflate by decreasing the quality just as you can inflate by increasing the price.

Mr. KEEFE. Mr. Chairman, will the gentleman yield?

Mr. WOLCOTT. I yield to the gentleman from Wisconsin.

Mr. KEEFE. I would like to get this fact clear in my mind, and I hope the gentleman will advise me whether I am correct. As I understand it, when the extension of the Price Control Act of 1944 was passed there was included within it the so-called Taft amendment, which provided that on and after June 30, 1945, there should be no more subsidies paid except out of appropriated funds; is that correct?

Mr. WOLCOTT. That is substantially correct, unless they have been "appropriated by the Congress for such purposes and appropriations for such purposes are hereby authorized to be made."

Mr. KEEFE. That act authorizes the appropriation for payment of subsidies and sought to bring back to the control of Congress the question as to the character, type, and amount of subsidy to be paid. That was changed some time ago when we provided for the elimination of that provision with respect to the pay-

ment of dairy subsidies. Dairy subsidies were eliminated from the provisions of the so-called Taft amendment. Under the terms of this act you are eliminating practically every other item for which subsidies have heretofore been paid, and if this bill passes you have completely eliminated practically the spirit and purpose of the Taft amendment, because these subsidies will be paid by the RFC and its subsidiary corporations out of their own funds. They will not have to come back to the Congress and ask for any appropriated money. Is that not true? I would like to have the gentleman's statement on that.

Mr. WOLCOTT. The reason, as I understand it, for the so-called Taft amendment was to give the Congress some control over the subsidy program. In the passage of S. 502 we are exercising that control over the subsidy program. They would have been unable to obtain subsidies after June 30 unless the Congress set up a program and told them the amounts which they could pay.

Mr. KEEFE. What you are doing under this bill is to waive any control over it, are you not?

Mr. WOLCOTT. No. What you are really doing is this: You are continuing the subsidy program as it has existed heretofore and giving them an additional \$100,000,000 with which to expand programs.

Mr. KEEFE. In other words, the Congress has just simply said: "You continue the program as at the present level and we will give you \$100,000,000 to play with, and we will allow you a 10-percent differential that you can expend on this program" so that they really have about a \$242,000,000 bank check to play with in this program. That is the control that Congress is exercising over the program as against the control that was contemplated when Congress passed the so-called Taft amendment. Furthermore, you are not requiring them to use appropriated funds.

The CHAIRMAN. The time of the gentleman from Michigan has again expired.

Mr. SPENCE. Mr. Chairman, I yield 15 minutes to the gentleman from Texas [Mr. PATMAN].

CHARGES AGAINST OPA ANSWERED

Mr. PATMAN. Mr. Chairman, I shall attempt to answer some of the charges that have been made against the administration of the OPA, and the food program in particular. I know that we all get letters saying, "By reason of OPA bungling we cannot get any more butane gas. By reason of OPA bungling all the small slaughterers of the country are being put out of business." I get those telegrams and letters just the same as you get them.

The Speaker of the House [Mr. RAYBURN] honored me very much when he appointed me chairman of the House Committee on Small Business, and I am determined to look after small business, doing everything I can to preserve and protect the free-enterprise system in this country. Naturally, I am disturbed when I get reports that by reason of mistakes being made by a governmental agency, small business is being crushed and destroyed.

BUTANE GAS

I was particularly impressed by the basketfull of telegrams I received from a butane-gas dealer and his friends, in which he said that unless the OPA changed its policy he would be driven out of business entirely, saying "I have so many trucks, so many people working for me. They have families. They will be unemployed." I had telegrams from schools saying, "We depend on butane gas for fuel, and we must have butane gas." So I took all of those telegrams and analyzed them and then I undertook to investigate the butane-gas situation. We do not want these little fellows destroyed that way. So, after going into it, I found here was the kind of bungling that was going on. The General Staff of the War Department had said and laid down an order to the effect that, "We must have all the butane gas we can get for the war, because we use butane gas to make high-octane gas, and we use high-octane gas to bomb our enemies." You could not insist that we give butane gas under circumstances like that, even to protect the small businessman. The war comes first.

PACKERS

Now, about the packers. I was very much disturbed and annoyed by the complaints—not annoyed, for I am never annoyed by complaints, because when you get them they are usually sincere, and the people are urging these complaints because they believe what they hear, and by reason of investigation of complaints oftentimes mistakes are corrected, so I am glad to have mistakes pointed out to me that have been made by a governmental agency or by any other person or by myself. So if a mistake is made, let us correct it.

All right. Take the packers. Let me tell you something about them. We will take, for instance, the matter the gentleman from Kentucky brought up here awhile ago. I am sorry he is not here. In his district, we will say, there are five towns, with one in the center of the county that is a pretty-good-sized town; they have a good slaughtering house and the cattle market is there.

In four other places in that big county, in little towns, there are similar slaughtering houses. There are just so many cattle in that area that can be bought to serve those five slaughtering houses. The slaughtering house in the middle of the county is a federally inspected plant, the other four are nonfederally inspected. The nonfederally inspected plants can send their representatives to the county seat, we will call it, where the larger plant and cattle market is located, and bid a higher price for the cattle because they can take them right back over the same road to their plants and in most cases get more money for them, whereas if the federally inspected plant pays that high price, he is a small businessman and he is forced out of business entirely, because the Government is taking most of his meat for the armed services and he has a ceiling price on his products. He cannot bid in competition with those nonfederally inspected slaughtering houses. He just cannot pay the price in competition with them.

Therefore, the armed services will be denied an opportunity to get this meat.

In view of this situation the War Department and the Economic Stabilizer recommended to the OPA—and it has been done—that the quotas of these four nonfederally inspected plants be cut down so that the federally inspected plant can get more meat and so the armed forces can get more meat. That is why the quota system came into being, in order to get plenty of meat for the armed services, and the armed services come first.

Suppose they did not do that, and these four slaughtering houses bought all the cattle that were offered for sale at the county seat and carried them back to their respective slaughtering houses and slaughtered them. The armed services could not get any of that meat and the people who are served by the federally inspected plant could not get any meat, either, so we would not have a wholesome or fair distribution of meat. Therefore, this is in the direction of trying to have an equitable distribution of meat supply.

Mr. RICH. Mr. Chairman, will the gentleman yield?

Mr. PATMAN. I yield to the gentleman from Pennsylvania.

Mr. RICH. Under this bill it is proposed to pay a subsidy of \$595,000,000 on meat. Would it not be better if instead of taking that money out of an empty Treasury you would pay the farmers who raise this meat down in Texas the proper price for the meat and let the consumer pay that price?

Mr. PATMAN. The extra price? In other words, the gentleman is advocating a rise in prices instead of a subsidy?

Mr. RICH. Yes. You are taking this money out of an empty Treasury. It is said that there is so much money in the hands of the banks that belongs to the people, and that is where this money should come from.

Mr. PATMAN. The gentleman has asked a very reasonable and logical question which should be answered, and I am going to do my best to answer it. He says, "Let us raise prices instead of having subsidies."

Mr. RICH. No.

Mr. PATMAN. Well, you have to raise prices.

Mr. RICH. I say raise prices that are essential, rather than take it out of an empty Treasury, so that we do not go into bankruptcy. Let us try to save this country.

Mr. PATMAN. If you raise prices on beef instead of paying subsidies you have to raise them on other commodities. Then if you raise prices on other commodities, the first thing you know you have to raise wages because the wages will not buy as much. Then you have a race between wages and prices and we have inflation on our hands.

Let me tell you what the gentleman is advocating. It is obviously an increase in price to take care of this rather than a subsidy. There is no dispute about that. People can be just as honest in their views and be as well on one side as the other. I do not criticize anybody for it. Obviously, though, that is the logical

end you will come to. Let us see what that will mean. We have 12,000,000 men in the armed services. Many of these men have wives and children here at home. They receive a check from the Government every month. What is that check for? To provide these wives and children a decent standard of living. If you raise prices, will that provide for them a decent standard of living? Of course it will not. Then we will have a bill in here to raise the allotments, that money to come out of the same empty Treasury the gentleman is talking about. When you raise them, then you must raise others. Thus you have a race between wages and prices again. The result will be inflation and our country will be ruined.

Mr. RICH. When the President asked for a law regulating prices on everything but labor and agricultural commodities, he did not do what he should have done or he would have asked for a bill freezing prices and everything at that time and thus you would not have got in the hole you are in now. When you make one mistake, you have got to do something else to get out.

Mr. PATMAN. The gentleman's hindsight is very good. Let us look at the picture and use a little common sense.

Mr. RICH. It did not take common sense to do what you did at that time. It only took a little brains.

Mr. PATMAN. I am not yielding to the gentleman. The over-all picture is absolutely good and you should be proud of it.

Mr. RICH. I am not proud of it.

Mr. PATMAN. You should be absolutely proud of it. I look with pride on our great food production that we have had in this country. I am not cursing it or abusing it. I am pointing with pride to it. I was hoping those of you on the other side of the aisle would claim credit for helping to put it over rather than criticize it and say it is destroying the rights of the people and that it has been a failure. That is not true. I am going to show you that it is not true.

FOOD PRODUCTION OF THIS WAR COMPARED WITH LAST

Let us look at the record. In World War I, incidentally when Mr. Herbert Hoover was War Food Administrator and won international acclaim for his good work and made such a good record that he was elected President of the United States by reason of that work, food production during that period only rose 10 percent. Take note of that figure. Food production only rose 10 percent. In this war, it has risen 29 percent, reaching a peak never before attained or dreamed to be possible. Is that failure? Why should you not look with pride upon such a wonderful program as that? Why should we abuse it? Why should we criticize it when it has been a success? It has not been a failure.

MEAT

Meat is the key of our present trouble. Have we failed in the case of meat? Let us look at the record again. Meat production for 1945 will be 38 percent above the average of 1938-39 production. Only in comparison with last year does meat production show a decline.

But last year meat production rose to 53 percent above prewar levels, and that was the highest in the history of this great Nation.

The reason for the drop this year was because the hog population rose 91 percent above prewar levels while feed production rose only 39 percent. The hog population had to be cut down. But look at cattle feeding. Critics say we have 80,000,000 cattle on the range and that by getting them into the feed lots and fattening them we can have more beef. The feed lots are empty. They say. Empty? How empty are those feed lots? Let us look at the records again and find out. Cattle in feed lots on January 1 totaled 4,173,000, according to the Department of Agriculture. The average number in feed lots on the first day of the year 1930-39 was 2,980,000. The number was up 40 percent on January 1, 1945. Was that a failure? In April this year the number in feed lots was up 8 percent over January. Is that failure? No; it is success. Why criticize a program like that? The over-all picture is good. It is absolutely good. Yes; mistakes here and there will be made as long as laws are administered by human beings. There will always be mistakes made, but the over-all picture is one that we can point to with pride and pleasure.

What about these 80,000,000 cattle? Remember there were 40 percent more cattle in feed lots as of January 1 this year than in any other time in history and there were 48 percent more in April than ever before in history.

What about the 80,000,000 cattle? The average number in 1935-39 was 67,000,000. Under what bungling administration did this 30-percent increase take place? Is that not bungling on the side of production rather than bungling on the side of underproduction?

Mr. KEEFE. Will the gentleman yield at that point?

Mr. PATMAN. Let me finish and then I will yield to the gentleman.

Mr. KEEFE. Will the gentleman not yield at this point?

Mr. PATMAN. I hope the gentleman will not insist. Let me finish my statement and then I will be glad to yield to him first.

No less astounding than the record of food production during the war has been the control of food prices. Yes; they have gone up. Food prices have gone up 45 percent in 67 months since the war broke out in Europe. That is a serious gain, but in World War No. 1, when as Food Administrator, Mr. Hoover was winning international acclaim, civilian prices uncontrolled rose 45 percent? Yes, on up to 104 percent during the 67 months after the outbreak of the First World War in Europe.

There is a case where we have parallel examples. In the first war, 67 months, prices rose 104 percent, uncontrolled. During this war they have risen 45 percent. And this war has cost \$250,000,000,000 to date, whereas the total cost of World War I was only \$32,000,000,000 in comparison. Even after the presently contemplated cutbacks are completed the Jap war alone will, at the annual rate,

cost more than twice the total cost of World War I. Control of prices during this war is the wonder of the economic world. Let me say that again.

The CHAIRMAN. The time of the gentleman from Texas has expired.

Mr. PATMAN. May I have 15 additional minutes?

Mr. SPENCE. I will give the gentleman 15 minutes.

CONTROL OF PRICES WONDER OF ECONOMIC WORLD

Mr. PATMAN. I thank the gentleman very kindly.

I want to repeat that. I want to repeat that statement. The control of prices during this war is the wonder of the economic world. Yet some of the most vigorous attacks upon it come from our own people, Democrats in our own party; and it should not happen. And the Republicans who supported the program should even be proud of what has been done.

I want to tell you something about what has been done under the OPA.

Mr. KEEFE. Mr. Chairman, will the gentleman yield?

Mr. PATMAN. In just a minute.

Mr. KEEFE. The gentleman does not intend to yield.

Mr. PATMAN. All right. We had another war, World War I. We know what the prices were then during the first 67 months of that war, after that war broke out in Europe. We know what the prices have been during the first 67 months of World War II. If we had paid the same prices for steel, copper, lead, zinc, and all of the other materials that go into the war machine during World War II that we paid in World War I, our national debt today would be \$80,000,000,000 more than it is up to the end of December 1944. You cannot laugh that off. You cannot say that is failure. That is success.

Up to the end of 1944 the price of steel had not risen one penny. Do you know how much steel is in the average battleship? You will find that if we paid the same prices for steel during this war that we paid during World War I, the average battleship would have cost us \$6,000,000 more during this war. You cannot say that is failure.

The same thing can be said of all these other materials. We have the facts and the evidence. The interest on that \$80,000,000,000 for 1 year, at prevailing Government rates, would be more than all that has been spent by the OPA and the stabilization program during this entire war. Yet say that is failure? No. That is success.

In addition to that, the consumers have saved, up to the end of 1944, \$56,000,000,000. That has enabled us to hold the line on a lot of things. You cannot raise one and say, "We will stop there." You have to raise others to correspond to it. Then you have got that race between prices and wages. It cannot be stopped. You have got to hold the line. I want to specifically call your attention to the subsidies on copper, lead, and zinc. Instead of having a subsidy on copper we could have just said, "We will raise the price to get production." With that maximum production the price would have gone to 27 cents. That is the price it took for these high-cost mines to get back into operation.

Premium price plan for copper, lead, and zinc—Comparison of actual payments (ceiling price plus premiums) with payments for total production at maximum premium prices.

[Millions of dollars]

	Copper			Lead			Zinc			Totals		
	Actual payments	Payments at 27¢ price	Difference	Actual payments	Payments at 12¢ price	Difference	Actual payments	Payments at 16½¢ price	Difference	Actual payments	Payments at maximum prices	Difference
1942 11 months ¹	251.1	541.9	290.8	62.3	107.4	45.1	126.1	229.8	103.7	439.5	879.1	439.6
1943.....	295.0	596.0	301.0	68.0	106.6	38.6	156.2	244.4	88.2	519.2	947.0	427.8
1944, estimated.....	268.2	536.0	267.8	67.0	98.4	31.4	158.0	236.2	78.2	493.2	870.6	377.4
Total.....	814.3	1,673.9	859.6	197.3	312.4	115.1	440.3	710.4	270.1	1,451.9	2,696.7	1,244.8

¹ The premium price plan, inaugurated Feb. 1, 1942, includes metal from domestic mines, dumps and tailings only. Metal produced from secondaries, scrap and foreign ores is excluded.

The refined metal supply from these sources has not been sufficient to meet the refined metal demand for military requirements for any of these metals.

This statement was compiled at the request of the Banking and Currency Committee, House of Representatives, to indicate the differences which would have accrued if the same metal production had all been produced at the maximum premium prices.

Total premium payments

Year	Copper	Lead	Zinc	Total
1942 ¹	\$5,062,000	\$3,267,000	\$8,840,000	\$17,169,000
1943.....	25,209,000	9,427,000	29,368,000	64,003,000
1944.....	27,090,000	13,587,000	40,923,000	81,600,000

¹ 11 months.

If we had raised the price of copper to 27 cents in 1942, that year we would have paid \$541,000,000 for the copper we bought, but instead of that we kept the price at 12 cents and gave a subsidy to these high-cost mines which could not operate unless they had a 27-cent price. We gave them the 15-cent subsidy but kept the price of copper to 12 cents. You know how much we saved by that? Two hundred and ninety million dollars. How much did it cost us? Five million dollars in subsidies. Is it not good business to save \$60 to every one you spend on a subsidy? There is an example. You cannot laugh that off. There is evidence. If you say you are going to oppose subsidies I will show you others that are just as interesting as that. Yes; we borrowed the \$5,000,000 from the empty treasury the gentleman speaks of, but we saved \$290,000,000 just on Government purchases alone.

Mr. RICH. Mr. Chairman, will the gentleman yield?

Mr. PATMAN. I cannot yield now.

Mr. RICH. I ask the gentleman to yield for a question.

Mr. PATMAN. Not now. In just a minute I will yield to everyone. I agreed to yield to the gentleman from Wisconsin first. Just let me continue for a little and I will yield to everyone.

In the copper, lead, zinc subsidy program in the 3 years from 1942 to 1944 inclusive we have saved \$1,244,000,000 through this subsidy program on copper, lead, and zinc, just these three. How much did it cost us? One hundred and sixty-two million dollars. Would anybody say that was not good business? It is good sense as well as good business. It would not be sensible for us to do otherwise, not at all; and I would be opposed to changing it. I am therefore going to defend subsidies. They saved the people money.

Mr. RICH. Mr. Chairman, will the gentleman yield?

Mr. PATMAN. Let me make one other point and then I will yield.

Now, let us take the inflationary pressures.

During the first World War we spent a maximum of \$32,000,000,000. That is a lot of money, but during this war we have spent \$250,000,000,000 already. All right. The people have an average of \$185 in their pockets today, not in banks,

not in sayings, not in war bonds, but in their pockets, an average of \$185. What does that mean? They are ready to bid on anything that is offered for sale that is scarce and limited in supply, they are willing to bid against one another quickly. During the inflationary period immediately after the First World War we had a lot of money in circulation. How much? Fifty-one dollars and thirty-eight cents per capita; that is how much, but now we have almost four times that much money in actual circulation. How can one make the statement that there is no danger of inflation under these facts? Not only that, but since Pearl Harbor the people of this country have made so much money that they have put back in their pockets in savings accounts, in demand deposits and war bonds, \$118,000,000,000 more than they have spent.

These huge amounts of money are available to bid against scarce and limited supplies of goods and carry the prices to the sky without price control, and yet you tell me that price control has been a failure. It has been the greatest success of anything we have had in connection with the prosecution of this war outside of the armed services themselves. It has been a success and we can point with pride to it and say we have saved the taxpayers from eighty to one hun-

dred billions of dollars on the cost of the war machine alone by reason of the price-control and stabilization policy of this administration. I am going to insert in the RECORD the per capita circulation of money since 1910 for each year and you will be amazed to find how much money is in the actual pockets of the people now compared to any other time in the history of this Nation.

End of fiscal year	Per capita money in circulation	Total currency (money) outside banks plus adjusted demand deposits (in millions)
1945 (February).....	\$185.15	\$93,500
1944.....	163.07	80,946
1943.....	127.64	71,853
1942.....	92.08	52,806
1941.....	72.16	45,521
1940.....	59.47	38,661
1939.....	53.72	33,360
1938.....	49.62	29,730
1937.....	49.88	30,687
1936.....	48.60	29,002
1935.....	43.66	25,216
1934.....	42.44	21,353
1933.....	45.49	19,172
1932.....	45.57	20,241
1931.....	38.85	23,483
1930.....	36.74	25,075
1929.....	39.08	26,179
1928.....	39.97	25,881
1927.....	40.90	25,539
1926.....	41.71	25,601
1925.....	41.73	24,949
1924.....	42.64	23,062
1923.....	43.18	22,697
1922.....	40.61	21,391
1921.....	45.29	20,790
1920.....	51.38	23,721
1919.....	45.95	21,217
1918.....	42.33	18,141
1917.....	39.05	15,777
1916.....	35.63	13,849
1915.....	32.96	11,403
1914.....	34.93	11,615
1913.....	35.12	10,998
1912.....	34.87	10,918
1911.....	34.72	10,377
1910.....	34.84	9,979

Sources: Statistical Abstract of the United States; Federal Reserve Board, Banking and Monetary Statistics, and Federal Reserve Bulletin; U. S. Treasury, Circulation Statements of the United States Money.

I promised to yield to the gentleman from Wisconsin.

Mr. KEEFE. I have listened with great interest to the very enlightening discussion of the gentleman. He has jumped from a discussion of subsidies to a discussion of OPA and back and forth.

Mr. PATMAN. I yielded for a question only.

Mr. KEEFE. I am going to ask a question. The gentleman has been going back and forth until he is trying to make it appear that anyone who opposes consumer subsidies is opposed to the OPA.

Mr. PATMAN. Ask me a question. I am not yielding for a speech.

Mr. KEEFE. In asking the question, I do not want it interpreted that I am opposed to the fundamentals of OPA, because I am not. Let me ask the gentleman this question.

Mr. PATMAN. What I said I meant and I am not going to take it back.

Mr. KEEFE. Let me ask the gentleman this question in reference to the illustration which he gave of copper, zinc, and these other strategic metals where he shows that by the utilization of subsidies of small amounts we enable the

production of those metals from the high-priced mines. But that is not an illustration, is it, of a consumer subsidy? That is a pure incentive production subsidy.

Mr. PATMAN. I gave an example of the consumer subsidy. Instead of raising these allotment checks every month to the wives and dependents of the men and women in our armed forces we are trying to hold the line so that what they are getting will buy a decent living.

Mr. KEEFE. I asked the gentleman a fair question.

Mr. PATMAN. I have given an illustration of consumer subsidies in answer to the gentleman from Pennsylvania [Mr. RICH]. I answer a question relating to copper and I gave illustrations. I am satisfied with my answer. If the gentleman is not, I am sorry. I do not yield any further on that.

Mr. KEEFE. The gentleman will not answer the question?

Mr. PATMAN. I do not yield any further on that.

Mr. KEEFE. The gentleman does not yield at all, as usual. He just rambles around the bush.

Mr. PATMAN. If I can answer one as successfully as I did the question asked by the gentleman from Wisconsin, I will be highly pleased.

Mr. RICH. Mr. Chairman, will the gentleman yield?

Mr. PATMAN. I yield to the gentleman from Pennsylvania.

Mr. RICH. When you take the Treasury statement of May 24 and you find that we are \$238,000,000,000 in the red, and you take out of the Treasury \$1,503,000,000 as provided in this bill, and add that much more to it at the end of the year, where are you going to get the money?

Mr. PATMAN. That is a question the gentleman asks every day and I want to answer him right now. I will use copper as an illustration. We had to borrow \$5,000,000 in order to have \$260,000,000. Which is better—to pay interest on \$5,000,000 or \$260,000,000? That is the answer to the gentleman's question.

Mr. RICH. The only answer I have heard to that is the answer given by the gentleman's colleague from Texas.

Mr. PATMAN. I am not yielding for anything except a question.

Mr. RICH. The gentleman from Texas said we were going into bankruptcy. That is the only answer you can get.

Mr. PATMAN. A nation does not go into bankruptcy.

Mr. RICH. It will if we do not discontinue what we are doing now.

Mr. PATMAN. We are only ruined by disastrous inflation, printing press money, worthless money. The debts are paid but with worthless money. That is the kind of inflation and the kind of bankruptcy we would have. A country cannot go into bankruptcy. It is impossible for a country to go bankrupt. We are just using loose words when we talk about our country going into bankruptcy. It does not happen that way. It happens when there is a runaway between prices and wages, one bidding against

the other, until our money is absolutely worthless.

WILL OPA BE EXTENDED?

And may I warn the people of this country that for the first time since the Price Control Act has been law I am worried about the continuance of the act. In an effective way there is too much misrepresentation concerning it right on the floor of this House. I heard it stated here the other day that Mr. Marvin Jones had admitted that a famine faced our country. That is absolutely untrue. Mr. Jones did not say that. I have his statement here and I am going to put it in the RECORD. I hope that the Members will read it.

We have not been furnishing OPA with the money that OPA needed. I listened with great interest to the statements made by my good friend from Michigan [Mr. Wolcott], ranking member of our committee, whom I like very much. When he said that the trouble with OPA is administrative, not legislative, I do not think he told all the story. Yes, I will admit OPA has made mistakes, lots of them, but dealing with 8,000,000 different commodities and prices, who would not make mistakes? Who would have done a better job than OPA?

WAR FOOD ADMINISTRATION,

Washington, May 19, 1945.

To Members of the Senate and the House of Representatives, Washington, D. C.:

"Prospective food supplies will be more than adequate in all part of the United States to meet all essential food needs."

This is the conclusion reached by the Bureau of Agricultural Economics in a national food situation report which is being released today. In view of the current interest in food supplies, and the number of inquiries we are all receiving, I thought you would like to have a copy of this factual report. It should be valuable for reference, especially if you have occasion to check into the data for any of the major food groups.

In addition to an estimate of the food supplies which will be available in 1945 for civilian consumers in the United States, the report contains pertinent facts about food consumption in foreign countries. High lights of the BAE summary of the domestic food situation include:

Over-all food supply for civilian in 1945 will be from 2 to 4 percent greater, on a per capita basis, than the 1935-39 prewar average—but from 5 to 7 percent below last year's record consumption.

Production of food crops and livestock for sale and farm home consumption in 1945 will be about 32 percent above prewar, but about 5 percent less than in 1944. The principal reduction is in hog slaughter. (With feed grain reserves largely used up, the 1944 pig crop—the hogs which are coming to market this year—could not be held up to the all-time 1943 record.) Pork output in 1945 is expected to be about 20 percent less than last year. Beef and veal production will be about 5 percent more than in 1944.

Total meat production of 22,500,000,000 pounds is indicated for 1945—9 percent less than the record 24,600,000,000 pounds last year, but 39 percent larger than the sixteen and two-tenths billion average for 1935-39.

Our civilians are expected to average an egg a day during 1945—366 per capita for the year, as compared with 351 in 1944, and 298 in prewar years. Even so, consumer demand will be greater than available supply at times this year.

Milk production is at record levels. Our people will use a per capita average of about

200 quarts of milk and cream this year—26 percent above the 1935-39 average.

Each of us is expected to eat about 250 pounds of fresh vegetables this year—very close to the 1944 record consumption of 253 pounds.

We have enough wheat to meet all civilian wants and to take care of demands for foreign shipment. In addition, another record crop of more than a billion bushels is forecast for 1945.

Sugar and fats and oils supplies (dependent on world production and supply situation) will be lower for civilians this year.

Summarizing the food supply situation: Our civilians this year will have more eggs, fluid milk, skim milk byproducts, commercial supplies of various fresh vegetables, canned fruit juices, fresh and frozen fish, and the grain products—except rice in some areas. They will have less sugar, pork, and lard, butter, and other fats and oils, and canned fruits and vegetables.

It is obvious that there will be no general shortages of food in the United States—none of our people will need to go hungry. Supplies of some individual commodities, for which demand is very great, will not meet all of our desire to buy, and irritating distribution problems will continue for these. By substituting abundant items for first choices which are short, however, our consumers can always be well fed. Understanding of this fact should end a lot of unnecessary fears about food.

Our farmers and ranchers must continue their tremendous production records, and we must see that they have the manpower and materials to do the job. We must also conserve food carefully and distribute it wisely. If these things are done, our food supplies will meet the essential needs.

Sincerely yours,

MARVIN JONES, *Administrator.*

Then when they came to Congress and pleaded for money with which to do a good enforcement job involving hundreds of billions of dollars Congress tried to act niggardly with them, cut down the appropriation each year, until in 1945, when the Budget pared them down and pared them down and said, "We will only recommend \$182,000,000," and they brought the Budget figures of \$182,000,000 here, this Congress cut it down \$3,500,000 more. Congress said, "No; we are not going to give you the money you want." In 1944 OPA asked for \$177,000,000. That was the Bureau's estimate. After they pared down everything, taking out everything you could possibly take out, the Bureau of the Budget issued to Congress a statement to the effect that this agency was entitled to \$177,000,000 to do a good job. But again we acted niggardly with them, and we cut them down \$8,000,000 more, and yet we say it is administrative, it is not legislative. That is legislative, is it not? In 1943, after OPA went before the Bureau of the Budget and pleaded with them for all the money that they needed to do a good job with these 8,000,000 different articles and commodities, the Bureau of the Budget cut out all they could and then said to Congress, "Give them \$160,000,000 at least," and this Congress cut \$40,000,000 off of that. Is that legislative or is that administrative? That shows that Congress has not done the part that Congress should do. Congress is responsible for part of this, too, because we have not given them the money with which to do a good job.

The CHAIRMAN. The time of the gentleman from Texas has again expired.

Mr. SPENCE. Mr. Chairman, I yield the gentleman five additional minutes.

Mr. PATMAN. This job is one of great importance. We can lose the war here at home through inflation while our fighting men are winning it upon the battle fronts of the world. Suppose they come back to a country that is ruined by inflation! Right now the GI bill or rights, insofar as loans for business, homes, and farms are concerned, is a dead letter. No loans are being made. Why? Because of inflation that is already taking hold. That is why it is a dead letter. Are we treating these 12,000,000 men and their families and their loved ones right when we, by failing to give an agency a few million dollars, jeopardize the entire economy of our Nation? We are not treating them right. We owe a duty and obligation to them to hold that line, to where the dollars that we will give them will buy something, and not give them a lot of money that will buy nothing, and the only way to do it is to hold that line like we can do through the stabilization program and not be niggardly in passing upon appropriations.

Mr. RICH. Mr. Chairman, will the gentleman yield?

Mr. PATMAN. I yield to the gentleman from Pennsylvania.

Mr. RICH. The gentleman says, "If the Congress had had more money to spend." Does the gentleman not believe that the Congress that he has been associated with in the past 10 years has spent all the money that was necessary to spend? If they had spent it right, does the gentleman not think we would have gotten more for the people of this Nation than we have?

Mr. PATMAN. It is easy to criticize but difficult to construct. I doubt whether the gentleman knows whether the money has been spent right or not. I know one thing, when they ask me for so much money to do a good job and I refuse to give it to them and they cannot do a good job, I have a guilty conscience.

Mr. RICH. If you take the record here—

Mr. PATMAN. Oh, I gave the gentleman the record. It cannot be disputed.

Mr. RICH. You have been spending money like no other Congress has ever spent.

Mr. PATMAN. And it has done the best job in history.

Mr. RICH. We have the greatest national debt we have ever had. Who is going to take care of that? Wait until the GI boys come back and they find out they have to pay for it.

Mr. PATMAN. I know we have spent a lot of money. The gentleman maybe does not like it, but we spent that money for a good purpose, because we sent machines against the enemy to do a job in the place of men and thereby saved human lives. I am not apologizing for it. I am mighty glad we did just what we did, for by spending money we have saved human lives. Which would you rather have, two or three million men killed on foreign soil in Europe or a national debt of \$300,000,000,000 and our

men come back home? You know what you would rather have.

Mr. DWORSHAK. Mr. Chairman, will the gentleman yield?

Mr. PATMAN. I yield to the gentleman from Idaho.

Mr. DWORSHAK. Has the gentleman read the reports made by the Senate Committee on Agriculture and the special House Committee to Investigate Food Shortages?

Mr. PATMAN. No; they have just come out.

Mr. DWORSHAK. The press has indicated that according to the investigations made by both the Senate and the House committees there has been gross inefficiency in the operations of OPA.

Mr. PATMAN. I am not talking about the efficiency or inefficiency of any particular person or group or division, I am talking about the over-all picture. That cannot be disputed. The gentleman probably was not here when I stated that during the First World War the food production increased 10 percent and during this war it has increased three times that much. Is that good or bad? It is good.

Mr. DWORSHAK. I understood the gentleman to say we were not giving adequate funds for efficient operation of some of these Federal agencies.

Mr. PATMAN. That is right; I did say that.

Mr. DWORSHAK. Did not President Truman recently send a communication to the Speaker and to the House Committee on Appropriations indicating that at least \$92,000,000 had been made available for the current fiscal year for various agencies which had not been obligated or spent, and that that fund should be recovered into the Treasury?

Mr. PATMAN. Be more specific. Is the gentleman talking about the OPA?

Mr. DWORSHAK. I am talking about all of the agencies.

Mr. PATMAN. The gentleman is talking about something else. We are talking about OPA. The OPA did not get enough money to spend.

Mr. DWORSHAK. They did not?

Mr. PATMAN. President Truman did not send to Congress a message about OPA.

Mr. DWORSHAK. If OPA had three times as much money as it was given during the current year it still would not do an efficient job.

Mr. PATMAN. Anyway, when they ask us for money that they say they need, and they fail to do a jam-up job because we do not give it to them, I feel that Congress is responsible, too.

Mr. DWORSHAK. It is not money they need, it is common sense.

Mr. PATMAN. We have a lot of common sense in OPA but mistakes will doubtless continue on account of the size of the job.

Mr. MURRAY of Wisconsin. Mr. Chairman, will the gentleman yield?

Mr. PATMAN. I yield to the gentleman from Wisconsin.

Mr. MURRAY of Wisconsin. When the gentleman speaks about how much food production has been increased he does not have in mind the dairy business at all.

Mr. PATMAN. I did not speak specifically about anything. I was talking about the over-all food picture. During the First World War and during the inflationary period just after the war we had no rationing or price control. The gentleman knows what happened. Hoarders went out and bought food stocks and hoarded them and made people pay high prices for the food. They made the people pay 35 cents a pound for sugar. During this war the price of sugar has been held down below 7 cents a pound.

The CHAIRMAN. The time of the gentleman from Texas has expired.

Mr. SPENCE. Mr. Chairman, I yield two additional minutes to the gentleman from Texas.

Mr. MURRAY of Wisconsin. I think the gentleman himself in the past has placed in the RECORD the table of August 1939, showing how much agricultural products had increased.

Mr. PATMAN. I do not want to go into detail. I do not have time to do that. I have only 2 minutes.

Mr. MURRAY of Wisconsin. I want the gentleman to answer, then, according to this table.

Mr. PATMAN. I have given the gentleman facts that nobody can dispute. We have a food record that the people of this Nation should be proud of. We should point to it with pride. We are proud of the farmers who made it possible.

Mr. MURRAY of Wisconsin. That is not the point I am trying to make. The gentleman used this table to show how the prices of the farmers had increased.

Mr. PATMAN. Now the gentleman is going into detail about things and I cannot answer that.

Mr. MURRAY of Wisconsin. Hogs were 5 cents in August 1939. They put a floor of \$13.75 under them.

Mr. PATMAN. The gentleman can find a lot of things to criticize out of 8,000,000 different commodities, and why should he not, but the overall picture is good, it has been a success. It has not been a failure. We should defend it, rather than criticize and condemn it.

Mr. MURRAY of Wisconsin. I am not criticizing and I am not condemning; I am asking the gentleman to explain how he can use the same table to prove two different things.

Mr. PATMAN. Of course, I do not agree with the gentleman at all.

The CHAIRMAN. The time of the gentleman from Texas has again expired.

Mr. CRAWFORD. Mr. Chairman, I yield 5 minutes to the gentleman from Nebraska [Mr. BUFFETT].

(Mr. BUFFETT asked and was given permission to revise and extend his remarks.)

Mr. BUFFETT. Mr. Chairman, it is deeply disturbing to me that in the midst of the most critical period in America's history there persists a tendency to make reckless and loose statements. On the floor of this House twice this afternoon I have heard the statement made that sugar went to 35 cents a pound in the last war. The highest price for sugar during the last war was 8 and a fraction cents a pound wholesale, according to

figures furnished me today by the Department of Agriculture.

The gentleman who preceded me told you about the cost of steel for battleships in the First World War. I regret that he left the impression that there are great savings being made in the cost of battleships over the First World War. I have figures furnished by the United States Navy on the cost of battleships in the First World War and the cost of battleships today. The cost per ton from 1917 to 1920 was \$395. The cost per ton today is \$1,385 per ton, or a 200-percent-plus increase.

Mr. MURDOCK. Mr. Chairman, will the gentleman yield for a question?

Mr. BUFFETT. I will yield to the gentleman when I have completed my statement.

Mr. Chairman, I think the thing this country needs to understand is the difference between inflation and the effects of inflation. We have had a great deal of inflation in this country that thus far has been concealed by price control. All of us recognize that some price control is necessary during a war period. But we should not fool ourselves into believing we are avoiding the eventual effects of inflation by price control. Certainly we have restricted price raises. But how have we done it? We have done it by adopting the methods of economic control that the Nazis used to keep prices from going up—by price control plus subsidies.

Some years ago the Nazis started the bounty system for their agricultural products. They called it "bounties" and we call it "subsidies." As a matter of fact, their system of payments and ours are much the same.

From 1934 on, the price of every agricultural product in Germany was controlled all the way from the farmer to the user. I urge my colleagues to read the report by the Brookings Institution on how Nazi Germany has controlled business. Certainly we can keep prices from going up. But with deficit financing. We can do so in a long run only by the method the Nazis used—control that winds up eventually with concentration camps.

There are only two possible alternative consequences from continued deficit spending. There are only two, one is higher prices, and the other is absolute regimentation. Those are the two alternatives and anyone who says there is a third alternative to deficit spending either does not know economic history, or has a theory which will not bear up under scrutiny. I think the thing we have failed altogether to see thus far is that the alternative to higher prices from deficit spending is absolute control—control in the Nazi pattern.

Some of our Members came back from Germany a few days ago and told the terrible stories about the Nazi concentration camps. But those camps are the inevitable outcome of deficit financing and a system of managed currency.

Study every system of managed currency in history and see where it wound up. It always ended the same way—disaster and trouble, either via the route of much higher prices or via the route

of absolute control and regimentation or terrorism. Now that is the choice ahead on continued deficit spending and there are no other choices.

Miss SUMNER of Illinois. Mr. Chairman, will the gentleman yield?

Mr. BUFFETT. I yield.

Miss SUMNER of Illinois. Of course, there is no reason why I should defend Woodrow Wilson's administration, but it occurs to me they are always pointing to the last war as compared with this war. That war only lasted a year. As I recall, during the first year of price control in this country, Leon Henderson, said the prices were only up by 50 percent and his resignation was asked for.

Mr. BUFFETT. Certainly. The lady knows and everyone knows that a great many prices have gone up during this war. But in general, price control has been carried out in seemingly tolerable fashion in this war, with some glaring exceptions. But when you have black markets on a national scale, on a scale where cheating becomes widespread for securing the getting of necessities of life, you do not have a situation that can be described as a glorious success, in my humble opinion. You do not have a situation that is conducive to righteousness nor a situation that is conducive to economic well-being.

The CHAIRMAN. The time of the gentleman from Nebraska has expired.

Mr. SPENCE. Mr. Chairman, I yield 5 minutes to the gentleman from Arizona [Mr. MURDOCK].

(Mr. MURDOCK asked and was given permission to revise and extend his remarks.)

Mr. MURDOCK. Mr. Chairman, I asked the gentleman from Nebraska to yield for a question but he failed to do so. I will be willing now to yield a little of my time for an answer. Did I understand the gentleman correctly to say that sugar went up to 8 cents a pound and no more in the last war?

Mr. BUFFETT. I said 8 and a fraction cents in the last war; yes, sir.

Mr. MURDOCK. The gentleman maintains then that the price of sugar did not exceed 9 cents in the last war?

Mr. BUFFETT. That is right; yes, sir.

Mr. CRAWFORD. Will the gentleman yield to me?

Mr. MURDOCK. Yes; I yield.

Mr. CRAWFORD. I am utterly amazed at Members of this House taking the floor and saying that sugar went to 35 cents a pound during the last war. It did not. The price of sugar did not touch that price until 1920. In 1920, after everything was gone, it went up. Sugar was controlled by agreement during the last war, and the facts can be ascertained if you will call the Department of Agriculture.

Mr. PATMAN. Mr. Chairman, will the gentleman yield to me?

Mr. MURDOCK. I yield gladly, for I want to get the RECORD straight.

Mr. PATMAN. Every reference I made to the last war and prices, I said during the inflationary period after the last war.

Mr. BUFFETT. Oh, no.

Mr. PATMAN. I still insist that the price of sugar went to 35 cents a pound.

Mr. CRAWFORD. The gentleman did not say after the war.

Mr. PATMAN. It is in the RECORD.

Mr. BUFFETT. Will the gentleman from Texas allow us to take the reporter's transcript as it is?

Mr. PATMAN. I know what I said. I have said that a lot of times.

Mr. BUFFETT. Will the gentleman from Texas allow us to take the reporter's transcript?

Mr. PATMAN. I know when the inflation was.

Mr. BUFFETT. We heard the statement. We ought to have it straight on the RECORD.

Mr. TRIMBLE. Mr. Chairman, will the gentleman yield?

Mr. MURDOCK. I yield, in the interest of information.

Mr. TRIMBLE. It is said that sugar did not go to 35 cents during the last war. I am here to say that I came home on furlough during the last war and they sent me to the store to get some sugar. I know what they paid. I paid 38 cents a pound.

Mr. MURDOCK. Certainly so. If you were home on furlough, it must have been during the war. Everybody else that has been alive during the inflationary period of the last war paying family bills knows the same thing. I know that I went to the grocery store about that time and paid more than 30 cents a pound for sugar. I am not quibbling now about just at what time or what hour of the day it was that I paid it, but I know the high price was the result of the inflation growing out of the First World War. Further, by way of contrast, I know I paid \$6.50 last year for this pair of shoes which I have on, which I have worn a year without repairing. I know that I paid as high as \$22.50 for a pair of shoes no better than these during the other World War, or in the inflationary period of the other World War. Perhaps the chief inflation did come after the war in the other case. If so, all the more reason why we must safeguard our economy after this war.

The gentleman from Texas is exactly right when he tells you that if we had not had this over-all price control this war would have cost our Nation \$80,000,000,000 more than it has cost us to date. I cannot see how any sensible person can stand up here and condemn that policy which has saved the national debt from mounting by such leaps and bounds. Having paid household expenses in both wars, no one can tell me our price control has been a failure. Thank God we have had it in this war.

Mr. Chairman, I rose to speak on the last portion of this measure, in order to explain the justice of the provision concerning slaughterers. This committee amendment will apply and do substantial justice to a case in Arizona, at the important mining town of Globe. It appears that the one and only local supplier of meat in the important mining district of Globe and Miami some weeks ago was informed that he had violated a regulation and had wrongfully been paid a sum of money. This he was called upon to return to the Government. I have it on good authority that his violation was not willful, but technical, and he con-

tended that it was not only an injustice for him to be required to pay the money back, but that he would thereby be forced out of business.

I understand that the officials have found the facts to be about as described to me, and therefore this measure would relieve that and similar cases, so that such producers could go ahead and supply the necessary war food. In our mining camps, meat is really a necessary war food, because the miners cannot and will not produce the copper without meat.

In the Senate bill there is a provision which the House committee struck out. The Senate would do away with the cancellation clause in regard to copper, lead, and zinc, except in one justifiable instance. I am sorry the House committee left that provision out, and am hopeful that it will be contained in the final enactment. Many constituents and many men in whose judgment I rely tell me that that sword of Damocles, that is—the threat of cancellation, hanging over the heads of the producers of war metals, will cause some producers to shut down and that it will have a detrimental effect upon this vital war production.

We have urged and induced small mine operators to get into production. I feel that we have not given them enough encouragement. Since no man can foresee the exact end of the war, I believe to jeopardize production of war metals is a hazard to the Nation's welfare, as well as an injustice to the miners, in thus discouraging their production by retaining this cancellation clause against them. Surely, in the production of such vital things as copper, lead, and zinc, the Government can afford to be a little overgenerous rather than be niggardly and take that risk. We cannot exactly count out the ammunition to the last bullet. When this measure finally becomes law, the premium prices should be guaranteed for the entire next fiscal year.

The CHAIRMAN. The time of the gentleman from Arizona has expired.

Mr. CRAWFORD. Mr. Chairman, I yield myself 7 minutes.

The CHAIRMAN. The gentleman from Michigan is recognized for 7 minutes.

Mr. CRAWFORD. Mr. Chairman, from the standpoint of war costs, subsidies I assume might be justified; but in my opinion this is the most effective poison to our system of economy today in this country that can possibly be administered. I have not any idea whatsoever that subsidies will be discontinued during the next 5 to 10 years. I am satisfied that the people of the United States, by reason of the principle of the redistribution of wealth which is involved in this policy that is being followed, will support a continuing program of rationing and price control. I believe it is sure death for the free enterprise system of America. I cannot imagine a sane people following such a course even in a war of this kind, but it is an adopted policy, it is an accepted policy by the people of this country; and, Mr. Chairman, the same arguments will be used in the years to come to continue this program, that have been used here this afternoon; and any Member of this House as far as I can judge of the abilities of this membership

can go into any community in the United States and sell the same doctrine that was advocated here by the gentleman from Texas [Mr. PATMAN]. There is no way the people of this country can get hold of the true facts in the matter, and they accept it. They accept it and destroy what we recognize in this country as the free market where the customer can decide what the price is, where the customer can decide whether or not a certain commodity shall remain on the market, where the customer can say that an article is not acceptable in quality or price, therefore he will not buy it and that means the man who is producing it goes out of business and some fellow comes along who will produce a better product at a lower price to step into the picture and satisfy the wants of the customer. The subsidy program destroys that principle in the economy of this country, and therein we are kissing good-bye to the private enterprise system of the United States.

With a fixed price below cost and an insufficient subsidy you do not get production. Today a producer comes along and had trouble because of weather conditions or otherwise in producing a certain food item. Under the old system an increase in price would take care of the situation. The price of the scarce article would rise and producers would come back into the picture and produce and bring back an adequate supply of that particular food item; but here you run into adverse weather conditions, the price level is fixed, the subsidy incentive does not make it up and therefore you do not produce; therefore the shortage continues; therefore the people do not have the product; therefore it passes out of existence.

The private enterprise system which made this country able to do what it has done in wartime, that system is passing away, and you are not going to bring it back with a little effort. To discontinue these subsidies and these controls in the postwar period will require a Congress of stronger integrity and character than the one we have at the present time, and I am talking about my own dunghill now. There is no question about that in my mind. We might just as well be realistic about it. This buys support of the voter. This redistributes the wealth of the country. This enables a man to go before the public and make statements that cannot be supported by the facts, but the public has not access to the facts. In the name of the war we make many things we may not eventually need in the prosecution of the war. It is all part of the war cost. We may build a dozen battleships we do not need, we may build a lot of things in wartime that we do not need. You have got to write them off. War disintegrates, war destroys character, war destroys physical life; and this particular program destroys the economic system of the United States.

Some day a great effort will be required if free markets are again established. In the meantime subsidies will be continued by the support of the people and the enterprise system will suffer.

Mr. BUFFETT. Mr. Chairman, will the gentleman yield?

Mr. CRAWFORD. I yield to the gentleman from Nebraska.

Mr. BUFFETT. I am sure the gentleman will be interested in clearing up the discussion on the floor in reference to the price of sugar during the last war. I just spoke to Dr. Barnhart of the sugar division of the Department of Agriculture and he tells me the price was controlled and that the price during the war was \$8.32 a hundred cash, wholesale, New York City. That was the price in the last war.

Mr. CRAWFORD. Anyone familiar with sugar history knows that to be the fact. I will pay a cash premium, and a substantial cash premium too, to any wholesale food store in the United States that will give a sworn statement that they paid 35 cents or 25 cents or 20 cents a pound for sugar during the period of World War I.

Miss SUMNER of Illinois. Mr. Chairman, will the gentleman yield?

Mr. CRAWFORD. I yield to the gentlewoman from Illinois.

Miss SUMNER of Illinois. The gentleman will remember one of the principal causes of that postwar inflation.

Mr. CRAWFORD. We are not discussing the postwar inflation. I am talking about the war period prior to November 11, 1918. That is when the war ended.

Miss SUMNER of Illinois. I agree with the gentleman thoroughly. What I am trying to say is that after this war there will be infinitely more pressure to continue price controls because of the billions of dollars flowing in from Europe, taken over there by Bretton Woods, and by repeal of the Johnson Act, and we will have both a shortage and more rigid price control.

Mr. CRAWFORD. I can give you 10 reasons for inflation following this war for each reason for the inflation that followed the last war. You not only have the \$118,000,000,000 accumulated buying power that the gentleman from Texas [Mr. PATMAN] refers to, but I hope the people of this country will have sense enough to go back into production. If that is true, I certainly hope the people who do the work will be paid reasonable wages and salaries. If that is true, you will have that buying power plus the \$118,000,000,000 that have been saved, plus all the previous accumulated savings, pushing against a shortage of supplies due to the destruction of the private enterprise system through rationing, price control, and profit controls. We know this Administration intends to continue those controls after this war is over.

The CHAIRMAN. The time of the gentleman from Michigan has expired.

Mr. CRAWFORD. Mr. Chairman, I yield myself an additional minute.

Mr. BROWN of Georgia. Mr. Chairman, will the gentleman yield?

Mr. CRAWFORD. I yield to the gentleman from Georgia.

Mr. BROWN of Georgia. Of course, the gentleman knows my stand on consumer subsidies. Those who thought I talked as I did and voted like I did were driven to this position. This is the only method that we have of obtaining production during this war. I do not believe

there is a single Member on either side of the House who will vote against the pending bill because we are giving the department affected all the money asked for. In addition to that, certain other commodities may need some help and we have said to that department: "You may have \$100,000,000 additional." So from now on if we do not get the production necessary to operate during the war, it is not the fault of the Congress but those who administer the law.

Mr. CRAWFORD. The gentleman from Georgia [Mr. BROWN], in the absence of that good friend of ours, Mr. Steagall, who passed away, lead the fight against these subsidies and, as I recall, more than two-thirds on both sides of the aisle supported him in that position, in order to try and prevent the subsidy program being established; still we could not override the President's veto.

The CHAIRMAN. The time of the gentleman from Michigan has again expired.

Mr. SPENCE. Mr. Chairman, I yield 1 minute to the gentleman from New York [Mr. ROGERS].

Mr. ROGERS of New York. Mr. Chairman, in answer to the remarks of the gentleman on the other side of the House, may I say that the food business happens to be my business. I was in it during the last war and I am still in it. For his information, I bought hundreds of bags of sugar for \$28 a bag, and those were 100-pound bags. I had to go and get them myself.

Mr. CRAWFORD. When?

Mr. ROGERS of New York. During the last part of the last war.

Mr. CRAWFORD. The sugar business happened to be my business at that time.

Mr. ROGERS of New York. That is why I had to pay so much.

Mr. CRAWFORD. I know exactly what the prices were and I can show them in the Department of Justice. I am not afraid to make that statement because I helped the Department of Justice administer that act. I know what happened, and I defy the gentleman to show an invoice where he bought any sugar in this country for above \$20 a hundred during the war on any carload of sugar. I challenge him to find a copy of the invoice.

Mr. ROGERS of New York. I am glad to find out one thing. I am glad to find out who was the cause of the high price of sugar.

Mr. CRAWFORD. Mr. Chairman, I yield 10 minutes to the gentleman from Minnesota [Mr. AUGUST H. ANDRESEN].

Mr. AUGUST H. ANDRESEN. Mr. Chairman, the fact that I am supporting this legislation and urging my colleague to vote for it does not mean that I condone or endorse the policy of the OPA or the principle of paying consumer subsidies. I am supporting this legislation as a matter of vital necessity. We have, as one of the gentlemen stated a while ago, the lion by the tail and we cannot let go of it. If we stop paying these subsidies, the only thing that can be done is to materially increase the prices which would raise the cost of living directly to the people and start that inflationary spiral. Once a program of this

kind of paying consumer subsidies has been embarked upon, it grows like a snowball rolling down hill, and it is very difficult, in fact nearly impossible, to stop it. This legislation is of vital necessity if we are to get the essential foods.

I have enjoyed the discussion here this afternoon. Of course, the last war that the gentleman from Texas and others on his side have talked so much about, as well as the high prices at that time, incidentally came under a Democratic administration with Democratic policies then in operation. I know what the gentleman from Michigan said is correct with reference to the price of sugar and with reference to the price of other commodities, and anybody familiar with the conditions at that time knows that the inflationary spiral came after the war was over and not during the war period.

On the other hand, looking at the present time, the hold-the-line policy and holding down prices has not been so successful when it comes to vital commodities. Today we have a shortage of meat, both beef and pork; a shortage of butter; a shortage of sugar; a shortage of poultry, and a shortage of eggs. Those of you who have attempted to buy any of these commodities, particularly meat, through legitimate dealers, will know that it is not possible to get it. Scarcity breeds inflation. In our investigation by the Special Food Committee investigating food shortages we discovered that in the city of New York beef and poultry were selling at from 75 cents to a dollar and a quarter a pound, which was 200 to 300 percent above the ceiling price fixed by the OPA.

This morning I received a letter from a merchant in Minnesota who stated that he could now buy sugar in the black market at \$29 a sack containing 100 pounds. I also received a letter this morning from a party in New Jersey in which I was told that the price of eggs was openly quoted in the black market at 10 cents above the ceiling price fixed by the OPA. So inflation is here, in spite of the policies of the OPA in attempting to hold the line.

The gentleman from Texas overlooks the fact that many of these ill-conceived policies of the OPA and its blundering administration of the food program have brought about a scarcity, and the scarcity in turn has brought inflation through the black-market operations and higher prices to the consumers of the country.

The gentleman from Texas referred to the fact that Congress cut down on the appropriations for the enforcement of OPA regulations. It is true we did cut down the appropriations, but I do not think that would make any material difference. Had we appropriated a billion or \$2,000,000,000 a year for the OPA, I doubt very much if we would have had any higher caliber of men or men of greater integrity than the ones they have in the OPA now.

Our committee held a hearing in Cleveland not so long ago on the question of meat shortages. When we came there we found eight OPA officers had been particularly assigned to look into black market operations in meat, and they had not found anything in particular. We pointed out to them from their own rec-

ords how different small operators there, from the way their volume of meat had increased, could not help but be in the black market. Just a few days ago we received word that because our committee called to their attention certain operations they investigated and found black market operations. If they are to have men of such shortsightedness and lack of judgment handling OPA, it would not make any difference if they had 10,000,000 men. Up in New York City, with the aid of that outstanding character, Mayor LaGuardia, they have tried to enforce the OPA price ceilings, but there again we found that 90 percent of all of the beef and poultry was in the black market, and that the consumers in New York City were paying from 75 cents to a dollar and a quarter a pound. We were told that the OPA would have to place one or two policemen in every food store, and there are over 50,000 of them there, and then they probably would not be able to catch the black market operators.

That is the way it goes. They do arrest a few small merchants once in a while, storekeepers who might have sold some poultry for a few cents over the price ceiling, a little operator, but they do not get after the big operator. They just seem to let him alone and let him flourish.

We can take case after case here in the city of Washington where the same slaughterers or meat dealers have been prosecuted for selling above the price ceiling, but some of those cases after 2 years' time have not been prosecuted. I know one case in particular of a black-market operator here who spent \$50,000 in cash in buying a restaurant downtown. That man has been fined a couple of thousand dollars but that fine was just charged to overhead expense and did not mean a thing. When he could make probably twenty-five of fifty thousand dollars a week, he could afford to be arrested every day and still make a tremendous profit.

The pathetic thing about the OPA operations and the difficult situation that confronts the American people today is the misadministration, the lack of understanding on the part of those who shape the policies, the constant delay and bickering between 22 agencies down here that have charge of food policies.

It seems to me a good many of these people fail to understand that it takes work to produce food, in the production, the processing, and the distribution of it. These men, the policy-makers, as I call them, want to control our entire economy. They know very little about the intricate parts of our economic structure when it comes to the business of producing vital necessities for the American people.

We are going to have a new Secretary of Agriculture, one of our colleagues, the distinguished gentleman from New Mexico. He is chairman of our special food committee. I know we all wish him well when he undertakes his new position as a member of the Cabinet. As one Member of the minority who has served with him, I urge the President of the United States to give him full and complete power to handle the food problem from the production, distribution,

pricing, and rationing end of it, so that there will be one responsible head to whom the people can look for timely and efficient action.

I know our colleague from New Mexico understands the problem. I know he has the intelligence to administer the program if he is given free rein to do so. I am satisfied he will do a good job as the new Secretary of Agriculture.

The bill before us should have been approved weeks ago. Producers and manufacturers have a right to know what the policy of the Government will be. Failure of Congress to act before this time on the payment of subsidies has caused confusion in the trade and with such confusion has come a decrease in production and a considerable loss of confidence. I therefore urge favorable action on the bill. We can take no other course at this time.

Mr. WOLCOTT. Mr. Chairman, I yield 5 minutes to the gentleman from Kansas [Mr. HOPE].

Mr. HOPE. Mr. Chairman, as has already been said this afternoon, this subsidy program is an accepted policy of the Government. It is a policy which was adopted over my objection and over the objection originally of about two-thirds of the Members of the House. But it has been adopted. We must accept that fact. We are confronted with a situation now that unless we pass this bill and make these funds available, every flour mill in this country will have to close down after the first day of July and many other business institutions engaged in the processing of food will very likely have to do the same. Therefore, there is nothing to do, so far as I can see, except to support the legislation.

I have been interested in the discussion this afternoon, which has gone somewhat far afield, in my opinion—into the problems of inflation and the food program and that sort of thing. The gentleman from Texas has made a comparison of the production of food in this war period and during the period of the previous war. I think it is rather difficult to make such a comparison of those two periods because conditions were very different. I think the farmers of this country are entitled to credit for having done a magnificent job during both wars. During the First World War, we did not have the favorable weather which we have had during this war. I recall in 1917 we had one of the shortest wheat crops ever produced in this country and other crops were short because of weather conditions. But nevertheless we did during that period produce sufficient food for our own people and for our armed forces and sufficient to meet relief needs abroad. A very good job was done.

The gentleman from Texas, our good friend whom we all enjoy hearing, has called attention to the fact there has been criticism of the food program this year. He deplores that fact, but I call attention of the Committee to the fact that the most severe criticism which we have had of that program has come from a committee of this House headed by our distinguished colleague, the gentleman from New Mexico, who will shortly become Secretary of Agriculture, a position for which he is eminently qualified. I

also call attention to the fact that there has also been very severe criticism of this program by the Senate Committee on Agriculture, headed by the distinguished Senator from Oklahoma [Mr. THOMAS]. This criticism has gone further than anything I have said or that most of us have said about the food program. If we are going to make comparisons, I would like at this time to call attention to the fact that during the last war when Mr. Hoover was Food Administrator, that he not only had charge of the production of food, but of the distribution and transportation of food, both at home and abroad, and that during that time he operated with a force of not to exceed 6,000 people, some of them operating part time, whereas in this war we have had in the OPA and the Department of Agriculture and in the FEA and other agencies which have dealt with food, as I am told, although I have not verified these figures, approximately 200,000 employed, including those, of course, who are employed only part time. So if we are going to make a comparison between the operations during this war and the other war, I think we ought to take that fact into consideration, although, as I say, conditions are different and for that reason I am not disposed to make any invidious comparisons.

However, if we are going to go into that question, in order to keep the record straight, it ought to be said that during the last war, under the leadership of Herbert Hoover, we did carry out a food program which was outstandingly successful. We did not have shortages; we did not have rationing; we did not have controls. It was all voluntary, and carried out with an astonishingly small number of personnel.

The CHAIRMAN. The time of the gentleman from Kansas has expired.

Mr. WOLCOTT. Mr. Chairman, I yield 5 minutes to the gentleman from Colorado [Mr. ROCKWELL].

Mr. ROCKWELL. Mr. Chairman, I wish to direct my remarks to the provision of Senate bill 502 which the House Committee on Banking and Currency has stricken. This clause reads as follows:

Provided further, That the premium price plan for copper, lead, and zinc shall be extended until June 30, 1946, on the same terms as heretofore, except that all classes of premiums shall be noncancelable unless necessary in order to make individual adjustments of income to specific mines.

It is not my purpose to move to have this provision reinserted on the floor, but I hope and believe that further thought will convince the House conferees that this Senate provision should be placed back in the bill.

The premium price plan for copper, lead, and zinc became effective February 1, 1942. Its purpose was to stimulate the domestic production of these metals so vital to the war effort. It is a subsidy paid only to make up the difference in the cost of mining in various areas and thereby open up bodies of ore that could not profitably be mined otherwise. Had prices of these strategic minerals been permitted to rise in accordance with supply and demand there would have been no need for any premiums or subsidies, but the cost to the Government would

have been many millions—yes, hundreds of millions—of dollars more.

The Government is the sole purchaser of these strategic minerals, and they have been used almost entirely in the production of tanks, planes, guns, ammunition, and the other implements of war. It was not long ago that the WPB informed us that unless new domestic supplies of zinc could be developed, it might result most seriously for the future of our war effort. A little later the shortage was lead. To develop new mines and to increase production of the older producing ones, premium payments were authorized to stimulate our domestic production of these metals in excess of monthly quotas established by WPB and OPA.

This legislation, as is the case in all mining legislation, is of major importance to my district and to the State of Colorado. Without the knowledge that these premium payments will continue many of our strategic metal mines must close because they know they cannot compete with the cheap labor of foreign countries, and some of the richer bodies of ore found therein. Contrary to the opinion of some people, these mines cannot be shut down and opened up at will. Shut-downs of mines result, in most cases, in the loss of large ore reserves, as deep mines fill with water, cave-ins occur, and ore in that area is then inaccessible and often forever lost.

It should be kept in mind that in the future, as in the past, we shall need to assure adequate supplies of metals for war and essential civilian requirements, and that we should have a sufficient supply of these metals on hand to guarantee a steady and speedy reconversion to peacetime production. Mining depends upon continuous development work, and we cannot expect our producers to continue unless they have some guaranty of reasonable prices for a definite time. In the case of copper, more than 90 days elapse from the date the ore is mined until it is treated, shipped, refined, and ready for sale. At present B and C contracts for these metals can be canceled on 30 days' notice under WPB regulations. It becomes constantly more difficult to hold the labor for these mines. The Senate amendment would prevent such sudden cancellation of contracts. The WPB and OPA admit that continued production of these metals is necessary, and that the premium price plan is an effective method of encouraging such production. In my opinion, the producer, who cannot market his product, in many instances, under 90 days, should not be faced with a canceled contract after he has incurred, at the request of the Government, the expense of development and labor involved. Also, he cannot keep his labor if they are only assured employment for 30 days in advance.

For these reasons, I believe that the premium-price plan should be continued on a noncancelable basis until June 30, 1946, as is provided in the Senate bill, so that producers engaged in this hazardous industry may continue until the close of the Japanese War when we hope that with the help of the other metals that generally are found with these ores, they may be able to continue in produc-

tion, and thereby help in the postwar period.

Mr. WOLCOTT. Mr. Chairman, I yield 5 minutes to the gentleman from Oklahoma [Mr. RIZLEY].

Mr. RIZLEY. Mr. Chairman, I take this time for the purpose of trying to find out from somebody, if anybody knows, just what this \$292,000,000 that appears in subsection (d), paragraph 5, of the bill is for. I have read the hearings, but the hearings are very meager. It will be recalled that we had a bill here about a year ago that passed the House by a very substantial majority slightly increasing the price of oil so that it would not be necessary to subsidize that industry. That bill was never passed by the Senate. Now, according to the hearings, \$75,000,000 of this subsidy is to be used for that purpose; the other \$215,000,000 is to be used for extraordinary transportation costs.

What are the extraordinary transportation costs that are anticipated in the future? I can understand how, perhaps, when the submarine menace was still at its peak in the Atlantic. There could well have been extra transportation costs, particularly on oil coming in for refining purposes, but there is nothing in the hearings on this item that I can find showing justification for the item in the future. I am not saying this in a critical way, but am trying to find out why it is necessary now to anticipate \$215,000,000 for extraordinary cost of transportation of oil.

Mr. SPENCE. Mr. Chairman, will the gentleman yield?

Mr. RIZLEY. I yield.

Mr. SPENCE. I have not the detailed information about it, but part of it was for stripper-well operations to increase production.

Mr. RIZLEY. I understand the \$75,000,000; there is \$75,000,000 set up in the bill for stripper-well production. What is the other \$215,000,000 for?

Mr. SPENCE. Part was for transportation costs from points of production to the seacoast ports.

Mr. RIZLEY. I can find nothing in the hearings.

Mr. SPENCE. It has not been broken down as to details, but it has been stated that most of the subsidies were transportation subsidies for that purpose.

Mr. RIZLEY. I will be glad to yield to my friend from Oklahoma. Maybe he can give me some light on this.

Mr. MONRONEY. I thank the gentleman for yielding to me. I have also been trying to ascertain whether there would be a difference in transportation costs now that the war has shifted from a two-front war to a one-front war. I am advised by Mr. George Stoner, of the Defense Supplies Corporation, that they have not yet been able to determine just exactly what the reduction would be. There is the thought in the Petroleum Administration for War that there will be no reduction because there will be no tank ships returned to the Atlantic run because of the length of time required to make the Pacific run and the necessity for using these ships for storage purposes in many cases in our island bases.

I may say, however, that it seems to me some reduction must obviously occur be-

cause almost 50 percent of all the petroleum products moving to the east coast went on to the European theater of war. Undoubtedly there will be some saving there.

Mr. RIZLEY. Under those circumstances this is a subject that should have further investigation because every one seems to me very indefinite about the actual amount that will be needed.

Mr. MONRONEY. That is true and I believe this committee or the Small Business Committee of the House at the earliest possible time and after examination of figures should undertake a careful study and scrutiny of exactly how much of this money will be needed, then take steps to earmark only that part for use in this program.

Mr. POAGE. Mr. Chairman, will the gentleman yield?

Mr. RIZLEY. I yield to the gentleman from Texas?

Mr. POAGE. Will the gentleman tell me why the United States Government should try to maintain the same price on gasoline in Washington, D. C., and in New York City that obtains in Oklahoma or at Long View, Tex., or right at the refineries. At present you can buy gasoline in Washington as cheaply as you do in Oklahoma. Does the gentleman know of any reason on earth why gasoline should sell as cheaply on the east coast of the United States as it does right at the refineries?

Mr. RIZLEY. I have not been able to understand that either. As a matter of fact you can go across the line from my town of Guymon, Okla., to Liberal, Kans., which is about 40 miles away and usually find more of a differential in the price of oil than the difference in the respective States gas tax.

The CHAIRMAN. The time of the gentleman from Oklahoma has expired.

(Mr. RIZLEY asked and was given permission to revise and extend his remarks.)

Mr. SPENCE. Mr. Chairman, I yield 5 minutes to the gentleman from Arizona [Mr. HARLESS].

Mr. HARLESS of Arizona. Mr. Chairman, I rise to speak on one particular part of this bill which has been amended as far as the Senate bill is concerned, and I refer to the section referring to the noncancellation of contracts with the copper, lead, and zinc interests. The provision of the bill as it passed the Senate was that the premium price planned for copper, lead, and zinc shall be extended until June 30, 1946, on the same terms as heretofore, except all classes of premiums shall be noncancelable unless necessary in order to make individual adjustments of incomes to specific mines, and that the Metals Reserve Corporation shall purchase during the fiscal year 1946 at its 1944 price schedule bauxite produced from such of the underground mines as supply it, and so forth.

The purpose of this legislation is to increase production. It happens to have been my experience to have spent 5 years working in a copper mine, and I know what the mining interests and the miners have to do in order to produce their ore and then sell it. It takes some 3 to 4 months after the ore is removed from the ground before it is salable. Of

course, it takes an extended length of time in planning and development work before they can remove the ore from the ground. No mining interest or no company will go about a program of removing copper ore from the ground unless they can see ahead at least 6 months. If you run on a margin that is too close it would be impossible to get production from the copper mines of this country. Unless you reinsert this clause into this bill you will not get the maximum amount of production of copper, and I am sure that applies also to lead and zinc. It will be necessary to provide that these miners may go ahead on a year's margin at least. I hope that the conferees of the House who go into conference with the Senate will study this and move to recede and concur with the Senate. I am familiar with the condition and I know the mines of this country will have to close down unless they know where they are going and can plan with certainty. The development work alone in a mine takes several months before they can reach the ore which has to be removed. After the removal of the ore it takes several more months before it can be refined and put on the market.

The CHAIRMAN. The time of the gentleman from Arizona has expired.

Mr. ENGLE of California. Mr. Chairman, I am deeply interested in the matter just referred to by my colleague from Arizona. A noncancelable premium is vitally important to the mining people. A mining operation cannot be turned on and off like a hydrant—it takes planning, sometimes months of development work, and the expenditure of large sums of money. The miners cannot do this unless they know they will be able to produce long enough to get their money back. These minerals and metals are vital to the war effort—they must be produced, and even should we produce somewhat more than actually needed the surplus will be a good insurance. Copper, lead, and zinc are indestructible. They will be good in our national stock piles if overproduced—and we do not anticipate that. The other House will no doubt insist upon this noncancelable provision. I hope our conferees will recede and concur and return this vital provision to the bill.

The CHAIRMAN. All time has expired. The Clerk will read the bill for the amendment.

The Clerk read as follows:

Be it enacted, etc., That the last paragraph of section 2 (e) of the Emergency Price Control Act of 1942, as amended by the Stabilization Extension Act of 1944, shall not apply, with respect to operations for the fiscal year ending June 30, 1946, to corporations created or operations authorized to be performed pursuant to section 5d (3) of the Reconstruction Finance Corporation Act, as amended: *Provided*, That with respect to such corporations and such operations the making of subsidy payments and buying for resale at a loss for the purpose of maintaining maximum prices established pursuant to provisions of the Emergency Price Control Act of 1942, as amended and supplemented, shall be limited as follows:

(a) Payments or purchases may be made after June 30, 1945, in such amounts as may be necessary to fulfill obligations incurred

prior to July 1, 1945, with respect to 1945 and prior fiscal-year activities.

(b) Payments and purchases may be made with respect to operations for the fiscal year ending June 30, 1946, which involve subsidies and anticipated losses as follows:

(1) With respect to materials or commodities, other than rubber and rubber products, produced outside the United States, in an amount not to exceed \$80,000,000;

(2) With respect to rubber and rubber products produced outside the United States, in an amount not to exceed \$60,000,000;

(3) With respect to materials or commodities produced within the United States, as follows:

(A) Meat in an amount not to exceed \$560,000,000;

(B) Butter in an amount not to exceed \$100,000,000;

(C) Flour in an amount not to exceed \$190,000,000;

(D) Petroleum and petroleum products in an amount not to exceed \$290,000,000;

(E) Copper, lead, and zinc, in the form of premium payments, in an amount not to exceed \$88,000,000; and

(F) Other materials or commodities in an amount not to exceed \$100,000,000:

Provided, That in the event the entire amount of any of the above allocations is not required for its purpose, the unused portion of such allocation, but not to exceed 10 percent of such allocation, may be used for making such payments on and purchases of any other item or items enumerated in this act, as may be determined by the Director of Economic Stabilization: *Provided further*, That the premium-price plan for copper, lead, and zinc shall be extended until June 30, 1946, on the same terms as heretofore, except that all classes of premiums shall be noncancelable unless necessary in order to make individual adjustments of income to specific mines; and that the Metals Reserve Company shall purchase during the fiscal year ending June 30, 1946, at its 1944 price schedule, bauxite produced from such of the underground mines as supplied bauxite to the Metals Reserve Company during 1944 and in such quantities as the Bureau of Mines determines as being subject to permanent loss if not removed prior to June 30, 1946, but not to exceed, however, 500,000 long tons.

With the following committee amendment:

Strike out all after the enacting clause and insert:

"That the last paragraph of section 2 (e) of the Emergency Price Control Act of 1942, as amended by the Stabilization Extension Act of 1944, shall not apply, with respect to operations for the fiscal year ending June 30, 1946, to corporations created or operations authorized to be performed pursuant to section 5d (3) of the Reconstruction Finance Corporation Act, as amended: *Provided*, That with respect to such corporations and such operations the making of subsidy payments and buying for resale at a loss shall be limited as follows:

"(a) Payments or purchases may be made after June 30, 1945, in such amounts as may be necessary to fulfill obligations incurred prior to July 1, 1945, with respect to 1945 and prior fiscal year activities.

"(b) Payments and purchases may be made with respect to operations for the fiscal year ending June 30, 1946, which involve subsidies and anticipated losses as follows:

"(1) With respect to materials or commodities, other than rubber and rubber products, produced outside the United States, in an amount not to exceed \$80,000,000;

"(2) With respect to rubber and rubber products produced outside the United States, in an amount not to exceed \$60,000,000;

"(3) With respect to materials or commodities produced within the United States, as follows:

"(A) Meat in an amount not to exceed \$595,000,000;

"(B) Butter in an amount not to exceed \$100,000,000;

"(C) Flour in an amount not to exceed \$190,000,000;

"(D) Petroleum and petroleum products in an amount not to exceed \$290,000,000;

"(E) Copper, lead, and zinc, in the form of premium payments, in an amount not to exceed \$88,000,000; and

"(F) Other materials or commodities in an amount not to exceed \$100,000,000:

Provided, That in the event the entire amount of any of the above allocations is not required for its purpose, the unused portion of such allocation, but not to exceed 10 percent of such allocation, may be used for making such payments on and purchases of any other item or items enumerated in this act, as may be determined by the Director of Economic Stabilization: *Provided further*, That the Metals Reserve Company shall purchase during the fiscal year ending June 30, 1946, at its 1944 price schedule, bauxite produced from such of the underground mines as supplied bauxite to the Metals Reserve Company during 1944 and in such quantities as the Bureau of Mines determines as being subject to permanent loss if not removed prior to June 30, 1946, but not to exceed, however, 500,000 long tons.

"SEC. 2. Any slaughterer not in a class eligible for extra compensation payments under livestock slaughter payments regulation No. 3 of Defense Supplies Corporation, adopted pursuant to directives of the Director of Economic Stabilization, who has received or may hereafter receive such subsidy payments, shall be relieved of obligation to repay the amount thereof, in whole or in part, to the extent that it is determined by the Director of Economic Stabilization, or any agency of the Government authorized by him, that such slaughterer believed reasonable and in good faith that he was eligible to receive such subsidy payments for his production, and that requirement of repayment would be inequitable."

Mr. BULWINKLE. Mr. Chairman, I move to strike out the last word.

May I ask the chairman of the Committee on Banking and Currency whether the language in subsection (f) on page 5 which reads: "Other materials or commodities in an amount not to exceed \$100,000,000" includes mica?

Mr. SPENCE. Presumably it would include mica.

Mr. BULWINKLE. Well, does it?

Mr. SPENCE. Not exactly. It provides authority to subsidize mica if it is desirable.

Mr. BULWINKLE. Was not mica subsidized under existing law?

Mr. SPENCE. I think mica was one of the foreign materials which was purchased by the Government under a subsidy, and I have no doubt that if mica is needed as a strategic material that it can be subsidized. I am confident of that. It probably would be subsidized.

Mr. BULWINKLE. May I say to the gentleman from Kentucky that about 50 percent of the mica mined in the United States is mined in North Carolina, some of it in Georgia and some of it in the Dakotas. The mica men have been up against it pretty badly. I would like to have some assurance from the gentleman that mica is covered. I do not at this point want to offer an amendment, but I do want some recognition that these mica miners will be taken care of. That there will be a subsidy for American miners if needed.

Mr. WOLCOTT. Mr. Chairman, will the gentleman yield?

Mr. BULWINKLE. I yield to the gentleman from Michigan.

Mr. WOLCOTT. I am quite positive that mica is on the President's list of strategic and critical materials. The gentleman will notice on page 4 of the hearings that mica is listed as one of the commodities on which there have been losses. If mica is on the list of strategic and critical materials it may be subsidized if it is necessary to do so to obtain a maximum amount of production, under the general provisions of section 2 (e) of the O. P. A. Act. If it is not listed as a strategic and critical material and it is necessary to pay a subsidy to get the maximum amount of production, then, of course, the President could, even now, add it to the list of strategic and critical materials and then the \$100,000,000 provided for in (f) could be used. So it becomes, I think, more of an administrative than a legislative problem.

Mr. SPENCE. Mr. Chairman, will the gentleman yield?

Mr. BULWINKLE. I yield to the gentleman from Kentucky.

Mr. SPENCE. I am positive mica is one of the materials that are subsidized as materials purchased outside of the United States. I would presume it would be subsidized if produced inside the United States.

Mr. BULWINKLE. It should be, instead of going outside the country to subsidize.

Mr. SPENCE. That would be an additional argument, it seems to me.

Mr. BULWINKLE. I shall not offer an amendment, but I will take it that what you gentlemen say means that if necessary that aid will be given. And I deem it that it is the legislative intent to subsidize the American miner if necessary.

Mr. SUNDSTROM. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. SUNDSTROM: Page 6, line 20, after "inequitable", add a new section, as follows:

"Sec. 3. Any slaughterer, who has received, or may hereafter receive, any subsidy payments from Defense Supplies Corporation, shall be relieved of obligation to repay the amount thereof, in whole or in part, unless Defense Supplies Corporation shall first establish its claim, by proof of willful violation charged, in a court of competent jurisdiction, by a suit to be instituted within 6 months from date of last payment of the amount sought to be recaptured."

Mr. SUNDSTROM. Mr. Chairman, this amendment is merely another effort to increase the food supplies of the country. As you probably know, in section 2 of the bill we give the Administrator the power to cancel any recapture of moneys that have been paid to slaughterers if he believes they have acted reasonably and in good faith. My amendment merely carries that thought further, that those men who are not awarded this advantage by the Administrator can then keep that money which they have already been paid until it is proven that they are willful violators.

This involves only a slaughterer who already has received a subsidy. As it

works out now, the Defense Supplies Corporation pays this slaughterer certain subsidies to make up for the differential in the actual cost of doing business, in order to see that he can make a profit. After he has lived up to these rules and regulations, the OPA or the War Food Administration comes around and inspects his plant to see if he has lived up to the rules and regulations. If one of the inspectors, or it may be a clerk, comes into the plant and then says, "This man has been a willful violator," the OPA writes a letter to the Defense Supplies Corporation and says, "These men have been willful violators for 6 months."

The Defense Supplies Corporation, without any trial, without any chance for that slaughterer to prove his case in court, immediately takes steps to stop his subsidy and to recapture the money which has already been paid.

Mr. KELLY of Illinois. Mr. Chairman, will the gentleman yield?

Mr. SUNDSTROM. Yes, sir; I am glad to yield.

Mr. KELLY of Illinois. That has been the case with so many small slaughterers in the Nation. Instead of helping the meat supply of the Nation, it has retarded the meat supply by practically putting out of business many of the small slaughterers on account of the conditions the gentleman is now talking about.

Mr. SUNDSTROM. I agree with the gentleman. I going to bring that point out.

The net result has been that these small businessmen who have been depending on this small subsidy to keep them in business all of a sudden find themselves confronted with a situation without any chance to prove their case. They must repay the Government moneys that have already been paid them. They only have two choices, either pay the money back and operate at a loss or go out of business. Up in my district, and I know it is true all over the country, any number of slaughterers have had to go out of business. I know of one man now who has a subsidy where he is trying to recover \$85,000. He has been in the courts trying to get a hearing for 1 year. The slaughterer receives no notice and no hearing. He has no opportunity, factually or legally, to establish his position or deny the allegation. No machinery is set up for a hearing or a determination of any allegation of the OPA or the War Food Administration. The Defense Supplies Corporation withholds payments merely upon the word of some official or clerk of either agency. Subsidies are withheld for alleged willful violations. When a slaughterer challenges the agency to prove the violation or his willfulness, he has been told repeatedly if he challenges their authority they will indict him. Other statements are made to discourage the slaughterer from receiving the subsidy already due him. The OPA has maintained that it pays the subsidies because its regulations fixing the ceiling price is unfair in that the prices fixed are below the cost of production. It therefore pursued a policy of recommending the payment of subsidies to make up the difference. How-

ever, it throws every obstacle in the way of the slaughterer receiving their subsidies, and there are thousands of cases on record today where the subsidy of slaughterers has been withheld without legal reason or adjudication. The result is that the OPA or the War Food can at its whim or fancy destroy the business of any slaughterer before he can obtain relief.

This is just simple justice. I have checked with the OPA to find out how far back they are on their investigations. I want to be fair with them.

The CHAIRMAN. The time of the gentleman has expired.

Mr. BROWN of Georgia. Mr. Chairman, I ask unanimous consent that the gentleman be allowed to speak for two additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Georgia?

There was no objection.

Mr. BROWN of Georgia. Will the gentleman explain the difference between the committee amendment and the amendment offered by the gentleman?

Mr. SUNDSTROM. Well, that is very plain. The committee amendment is this, that it allows the Administrator if, after the OPA or War Food Administration has said that somebody is a willful violator and they have asked the Defense Supplies Corporation to recapture, the Administrator if he believes that the slaughterer was reasonable and acting in good faith, or if he believes he was eligible, for one of those reasons he could therefore say, "I am not going to recapture." Now, my amendment takes care of the man whom the Administrator has not given that relief and to whom the Administrator has said, "We are going to recapture it." Then I say that fellow ought to have a chance to prove whether he was a willful violator or whether he was not.

Mr. SPENCE. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, the Banking and Currency Committee has agreed to a very liberal amendment in this respect, and that amendment is in the bill, that if the money is paid to the slaughterer by mistake, even though he is not entitled to it, even though he got it illegally, if the Administrator feels it will work an undue hardship on him and an inequity, he can relieve him of repayment. That seems to me to be a rather liberal amendment in behalf of the Government.

The amendment offered by the gentleman from New Jersey goes further than that. It provides that if the slaughterer obtains subsidies to which he is not entitled, even though it may be obvious he was not entitled to them, before those subsidies can be recovered the Defense Supplies Corporation will have to institute suits all over the United States, to recover those amounts. And the burden of proof is upon the Corporation to show in a court of justice that those subsidies have been illegally paid. The amendment we have proposed, it seems to me, would give relief in a very liberal way. I do not want to see any injustice done to a slaughterer, but I do think this

puts the Government of the United States in a very undesirable position, when by mistake it has paid subsidies, and in order to recover those subsidies it has to go into the courts of the United States in the various districts of the United States which have jurisdiction over the person, and bring those suits. It cannot withhold future subsidies as an offset to the subsidies paid by mistake. It would be a source of unending annoyance and trouble, and it would hardly be a just thing to the Government of the United States.

Mr. PATMAN. Mr. Chairman, will the gentleman yield?

Mr. SPENCE. I yield.

Mr. PATMAN. Is it not a fact, too, that these payments were made entirely upon the representations of the slaughterer who made the report to the Government? In other words, the Government left it up to each slaughterer. They did not question him. Then they come back later and check him up. They make payment upon his statement. The amendment offered by the gentleman would require the Government to go into court and show that a particular person willfully collected that money.

Mr. SPENCE. Yes. I agree with the statement made by the gentleman.

Mr. DONDERO. Will the gentleman yield for a question?

Mr. SPENCE. I yield.

Mr. DONDERO. If the Government alleges it has paid a subsidy illegally or that a person has received it illegally, is it not the plain rule of law, long established, that it is the duty of the petitioner or the plaintiff to prove his claim and prove what he alleges in court, and not place the burden of proof upon the defendant?

Mr. SPENCE. It is a very different proposition where you rely upon the slaughterer as to the facts. You accept those facts up to the point of payment. This would make the Government go into the various district courts of the United States to recover the money if obtained wrongfully.

Mr. SUNDSTROM. Will the gentleman yield?

Mr. SPENCE. I yield.

Mr. SUNDSTROM. I think the gentleman misinterprets the amendment. The gentleman would not want to place a businessman at the mercy of one man, one investigator, or one clerk. That is where he is put today, because all the OPA must do now is to walk into that slaughterhouse and say, "This man has violated the law for 7 months," and they start recapture right at that time, without any recourse to the courts.

Mr. SPENCE. I do not think that is correct. The slaughterer makes the report to the Government as to the subsidies due him. If the Government pays him on his own representation, they cannot recover the subsidies, they cannot withhold future subsidies as an offset. They must go into a court of justice and obtain a judgment against him.

Mr. SUNDSTROM. Will the gentleman yield further?

Mr. SPENCE. It would impair the administration of this law, and it would be a great hardship upon those who administer it.

Mr. BROWN of Georgia. Will the gentleman yield?

Mr. SPENCE. I yield.

Mr. BROWN of Georgia. I am afraid the gentleman from New Jersey is going to hurt the slaughterers unintentionally if his amendment is adopted. The Government makes these payments before they make the investigation. They make the payments upon the representation of the slaughterer. Afterward they make their investigation. It simply means that the Government will not pay these slaughterers. Many times it will be a doubtful case. They simply will not pay the subsidies, and I think your amendment will hurt the slaughterers.

Mr. SUNDSTROM. I think the gentleman is in error if he understood the amendment in that light.

The CHAIRMAN. The time of the gentleman from Kentucky has expired.

Mr. WOLCOTT. Mr. Chairman, I rise in support of the amendment.

Mr. Chairman, let us analyze the situation. You will recall that we had some discussion about this in the committee and that some of us felt that section 2 as it is now written gave to the Director of Economic Stabilization more jurisdiction than he was justly entitled to because it placed in him the authority to determine whether or not the slaughterer had used good faith and whether the slaughterer was eligible to receive such subsidy payments for his production, and also we left to the Director of Economic Stabilization to determine whether the repayment would be inequitable. It seems to me that in that connection we gave the Director of Economic Stabilization judicial power to determine whether the slaughterer did or did not use good faith, and that if the Director of Economic Stabilization held that the slaughterer used good faith, then he could not recover; if he held that the slaughterer used bad faith, then he could recover. I believe we establish a rather dangerous precedent by giving any bureau such judicial powers that they are to be the sole judges as to whether any person has received these subsidies in good or bad faith.

As I understand the Sundstrom amendment, it merely means that when the Director of Economic Stabilization has found that bad faith was used and that the subsidy should not have been paid, then the recipient of the subsidy has the right to go into court and have it determined as a matter of fact and law as to whether he should pay back this money. In adopting the Sundstrom amendment we do two things: We prevent the bureaus from showing favoritism in respect to the collection of subsidies and we also preserve the right which I think is a fundamental, and should be considered a vested, right on the part of any American citizen to have his facts and law determined in a court of justice.

Unless we do adopt the Sundstrom amendment then we have vested in the Director of Economic Stabilization the authority to say: "John Jones did use good faith and therefore we shall not require him to return the subsidy. Henry Smith used bad faith and therefore he must return it." If Henry Smith

does not return it what happens? Under the authority contained in the regulation if he does not pay it back then he has his quota taken away from him. There is a property right involved here which should be determined by the court, or at least machinery should be set up for the determination of this property right by the court.

Mr. FOLGER. Mr. Chairman, will the gentleman yield?

Mr. WOLCOTT. I yield to the gentleman from North Carolina.

Mr. FOLGER. Has the gentleman given consideration to the practical operation of an amendment of this sort? And would it not have the effect if the Administrator is to be fair to the Government that no subsidy payments would be made until everything had been checked over and they were fully satisfied that the slaughterer was entitled to any payment?

Mr. WOLCOTT. No; it can be done by regulation very easily and the Government can be fully protected.

The CHAIRMAN. The time of the gentleman from Michigan has expired.

Mr. PATMAN. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, as I understand it, they are very lenient in their rules and regulations now because they want to help these small slaughterers. They do not want to delay them. They are willing to let each one make his own statement and upon that statement they will send him a check without any investigation whatsoever so as to expedite payment. That is mighty nice and fair.

Now, then, he has received something which later on he might be called upon to prove. He should prove it. The burden of proof should be on him because he has gotten from the Government money upon his representations. If you change it around and make the Government go into court and prove that he wilfully obtained that money through false representations, that is shifting the burden of proof to the Government. I agree with the gentleman from North Carolina [Mr. FOLGER] and the gentleman from Georgia [Mr. BROWN] that instead of helping these little slaughterers you will ruin them because any man who is an efficient administrator would say: "I am not going to take the risk of paying out money to Tom, Dick, and Harry upon their representations when I cannot get it back unless I go into court."

Mr. BROWN of Georgia. Mr. Chairman, will the gentleman yield?

Mr. PATMAN. I yield to the gentleman from Georgia.

Mr. BROWN of Georgia. The amendment refers to only the amount that is to be paid. They could withhold all the payments if they wanted to.

Mr. PATMAN. That is right, and instead of helping the small man it would seriously injure the small man. You would be filling up our courts with all kinds of cases which would not be settled for years. You do not have enough enforcement officers in OPA now. You would have to appropriate additional money for more lawyers. In my opinion, the language in the bill is just as fair and reasonable as it can be. I can see in some cases where these payments have

been made that it would be inequitable probably to make them pay it back; so we wrote into the bill, not putting the burden of proof on the Government, still leaving the burden of proof on the individual, section 2, which provides a remedy for him to keep that money and not pay it back.

What effect will this have on the black-market operators? Can they go into the black market and still collect these subsidies? It looks to me like they would be able to; so instead of discouraging black-market operations you would be encouraging black-market operations.

Mr. SUNDSTROM. Mr. Chairman, will the gentleman yield?

Mr. PATMAN. I yield to the gentleman from New Jersey.

Mr. SUNDSTROM. The gentleman said this would hurt the small slaughterers. Will the gentleman please tell me how it hurts a small slaughterer or anyone else if you allow him to keep the money that is paid him. How can a man be hurt if you allow him to take all that is due him and allow him to keep the money until the Government says he is not entitled to it?

Mr. PATMAN. That is a temporary gain; yes.

Mr. SUNDSTROM. Yes.

Mr. PATMAN. In the future it would prove to be a handicap to him in carrying on his business.

Mr. SUNDSTROM. I do not think it makes very much difference if you lose your money this week or next week.

Mr. PATMAN. He would be handicapped. The present system is a good one.

Mr. ZIMMERMAN. Mr. Chairman, will the gentleman yield?

Mr. PATMAN. I yield to the gentleman from Missouri.

Mr. ZIMMERMAN. Is there anything in the operation of this law that requires the Government to pay these subsidies when the slaughterer makes this report?

Mr. PATMAN. No. They can change the rule, just like we are talking about, and make them put up the proof first.

Mr. ZIMMERMAN. It seems to me the inevitable thing would be that the Government will require them to present certain proof before the Government will pay them.

Mr. SUNDSTROM. Then they will not get any meat; then you will have a food shortage.

Mr. PATMAN. The gentleman's amendment would close up a lot of these slaughterers.

Mr. ZIMMERMAN. No individual would do that, and I do not think we should require the Government to do something that we do not require a businessman to do.

Mr. SUNDSTROM. As the gentleman knows, I have talked with the OPA, and they tell me they are only about 3 months late in checking. All this amendment does is to say they have to institute the suit some time within 6 months. In other words, they are not going to allow them to have a club over their head for 5 years. If you have any money that you are not entitled to, you should have a fair hearing.

Mr. PATMAN. Very well.

Mr. SUNDSTROM. I do not believe in letting any one OPA inspector or one

clerk tell me, if I am a businessman, that I violated a thing without being able to go into court.

Mr. PATMAN. This is definitely against the interests of the small businessman, because in the future he will have to make this proof first, which will delay him for months. The gentleman admitted that himself. During that time he cannot get his money. The present plan, I think, is very much better.

Mr. WOLCOTT. Mr. Chairman, will the gentleman yield?

Mr. PATMAN. I yield to the gentleman from Michigan.

Mr. WOLCOTT. The whole matter can be adjusted by providing that the request or demand for the subsidy be made under oath. Then you would not only have the civil process operating against this man who willfully got this money without authority but you would also have the criminal side of the court to rely on. The only change necessary in their regulations would be to provide that he shall make an affidavit as to certain facts, and then you would have him stopped definitely.

The CHAIRMAN. The time of the gentleman from Texas has expired.

Mr. PATMAN. Mr. Chairman, I ask unanimous consent to proceed for one additional minute.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. PATMAN. The gentleman makes a very logical statement but in practice I am sure it will not work out so smoothly as he indicates. Definitely it is in the direction of clogging up the court calendars. Everybody will have to go into court and hire a lawyer, the OPA would have to have lawyers and you would have to have lengthy trials. I think with the great amount of court work going on now it would not facilitate but delay the enforcement of these laws. You can see the effect it would have on OPA. It will definitely not help the small businessman, but it will help the black market operator.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Virginia.

The question was taken; and on a division (demanded by Mr. SUNDSTROM) there were—ayes 44, noes 29.

So the amendment was agreed to.

Mr. CASE of South Dakota. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I would like to have the attention of the chairman of the committee reporting the bill, if I may, for the purpose of asking him a question. Earlier during the day I had an informal discussion with the gentleman from Kentucky about the possibility of including mica under the materials or commodities covered or authorized for payment of subsidies. Subsequently I talked with the gentleman from North Carolina [Mr. BULWINKLE] and I was in hopes that I might be here when that paragraph was read to see what might be done in that respect. But unfortunately I was compelled to attend our Committee on Appropriations hearing and was not here at that time.

May I ask the gentleman if a question was asked and answered with respect to the possibility of including mica?

Mr. SPENCE. I think I can make the same response to the gentleman that I made to the gentleman from North Carolina. It is obvious that in the section which provides for other materials and products a sum of \$100,000,000 mica could be included. Mica is included in the subsidy of foreign materials. Mica is a strategic material. There is no doubt of the power to include mica in the category of subsidized materials.

Mr. CASE of South Dakota. It occurred to me if mica was included in the foreign materials it certainly should be included in the domestic materials because it is highly strategic material.

Mr. SPENCE. I am absolutely sure it is included in the foreign materials, and it is considered a strategic material.

Mr. BULWINKLE. Mr. Chairman, will the gentleman yield?

Mr. CASE of South Dakota. I yield to the gentleman from North Carolina.

Mr. BULWINKLE. The gentleman from Michigan made a statement while I was addressing my remarks to the chairman of the committee in regard to that, and he said it was a strategic material. Is that not right?

Mr. WOLCOTT. I said I was reasonably certain it was on the President's list of strategic and critical materials. I notice they have taken a net loss on the buying and selling of mica, according to the record as shown on page 4 of the hearings, of \$617,568. I infer from that that they have been buying and selling mica with the idea of subsidizing its production.

Mr. BULWINKLE. I wanted to show that it is the legislative intent that if a subsidy on mica is necessary it should be granted.

Mr. CASE of South Dakota. Yes. I think the gentleman from North Carolina and I have the same thought on that matter. We want the record to be perfectly clear that the legislative intent of this bill does cover mica.

Mr. WHITE. Mr. Chairman, the program to be carried out under this bill is of vital importance to the welfare of our country but the bill does not go far enough.

In the present financial condition of the Nation, our Government must depend for its support on the collection of a large volume of taxes. To pay taxes business must have profits, and to have profits, our basic industries must be on a sound stable basis.

This condition as it affects the mining industry was recognized by the governors of our Western States in their recent meeting at Reno, Nev., and I submit for the consideration of my colleagues in passing upon this bill a resolution adopted by the governors in support of the mining industry, together with communications from the representatives of other western industries:

WESTERN GOVERNORS' CONFERENCE,
Reno, Nev., April 20, 21, and 22, 1945.

Whereas mining is dependent upon development work and development work will only be done if there is a specific guarantee of reasonable prices for a definite time, the permitting of the rules of the premium price plan in this respect to be changeable or

subject to cancellation at the will of the executive agencies would make it impossible for the mining industry and particularly the small mines to plan ahead on a definite basis: Therefore be it

Resolved, That the Western Governors' Conference assembled in Reno, Nevada, April 20 and 21, 1945, hereby respectfully urge the House of Representatives of the Congress of the United States to promptly relieve the anxiety and distress of the base metal miners of the United States by continuing the premium price until June 30, 1946, on a noncancelable basis and we approve, therefore, the bill S. 502 as already passed by the Senate of the United States insofar as it relates to mineral and metal subsidies.

Approved:

Sam C. Ford, Sidney P. Osborn, Earl Warren, Herbert B. Maw, L. C. Hunt, Earl Snell, Ernest Gruening, H. E. Huffman acting for Governor J. C. Vivian, E. P. Carville, Charles C. Gossett.

INTERNATIONAL UNION OF MINE
MILL AND SMELTER WORKERS,
Chicago, Ill., May 23, 1945.

Hon. COMPTON I. WHITE,
House Office Building,
Washington, D. C.

DEAR CONGRESSMAN WHITE: I note with dismay that the House Committee on Banking and Currency in its report on May 2, 1945, on the subsidy bill, saw fit to remove the clause extending the premium price plan on copper, lead and zinc until June 30, 1946, "on the same terms as heretofore, except that all classes of premiums shall be noncancelable unless necessary in order to make individual adjustments of income to specific mines."

It is our firm opinion that the committee erred in removing the said provisions from the subsidy bill, both from the standpoint of the workers in the submarginal operations and of the operators. We believe that the effect of the uncertainty as to how long any of the marginal operations will continue has a bad effect on the morale of the miners involved. It will be increasingly difficult to maintain even the present inadequate labor force in the submarginal mines as a result of the committee's action.

I further believe that it is extremely vital at this time to keep all operations going and to keep the domestic output of nonferrous metals on the highest possible level in order to meet the growing demands of reconversion in a period in which war demands remain high.

We trust that when the House considers this legislation that it will reconsider the noncancelable provision and see fit to restore it to the bill.

Very truly yours,

REID ROBINSON, *President*.

ST. ANTHONY, IDAHO, May 23, 1945.
Hon. COMPTON I. WHITE,
House of Representatives,
Washington, D. C.:

Understand Senate bill No. 502 authorizing four subsidy program for year commencing next July 1 was passed by Senate and is now awaiting action by your House. It is imperative this bill be passed at once to avoid detrimental effect on milling industry. Customers are pressing for contracts which we cannot give until the bill is passed and is seriously interfering with planning for future operations. Will you please contact Speaker of the House, Hon. SAM RAYBURN; majority leader, Hon. JOHN W. MCCORMACK, and chairman of Banking and Currency Committee, Hon. BRENT SPENCE, and urge them to arrange for consideration of this bill in the House on some specific day next week? We will appreciate your efforts in getting early action.

ST. ANTHONY FLOUR MILLS.

WALLA WALLA, WASH., May 23, 1945.

Hon. COMPTON I. WHITE,
House Office Building, Washington, D. C.:
Failure get action S. 502, flour subsidy extension, is stopping and disrupting all further marketing, seriously affecting distribution this basic food, when every pound so urgently needed. Special rule to consider bill granted but not placed on House agenda this week. Please contact Hon. SAM RAYBURN and Hon. BRENT SPENCE, urging consideration S. 502 in House some specific day next week. Time important. Need your help.

Respectfully,

PRESTON SHAFFER MILLING CO.

WEISER, IDAHO, May 24, 1945.

Hon. COMPTON I. WHITE,
House of Representatives,
Washington, D. C.:

Senate has passed Senate bill No. 502 but no agreement yet reached by House of Representatives setting definite time for their consideration this bill. Imperative this bill be passed by House immediately otherwise no subsidies will be available for wheat milled after June 30. Present flour ceilings without subsidy makes it impossible to do flour business after June 30. Moreover, uncertainty as to subsidy is already seriously interfering with planning future milling operations and unless bill passes or flour ceilings raised may mean closing of flour mills after June 30. Understand special rule has been granted to consider this bill. We urgently request your getting in touch with Speaker RAYBURN, Majority Leader MCCORMACK, and Chairman SPENCE urging them to arrange for consideration Senate bill 502 in the House some specific day next week.

F. S. WILLIAM,

Manager, Weiser Flour Mills.

CALDWELL, IDAHO, May 24, 1945.

Hon. COMPTON I. WHITE,
House of Representatives,
Washington, D. C.:

Inasmuch as it is imperative unless Senate bill 502 is passed, it will greatly jeopardize all milling industry and possibly mean closing down our mills. We sincerely urge your prompt support of the bill by voting in favor of Senate bill 502. May we call to your attention that a special rule has been granted with Speaker of the House, Hon. SAM RAYBURN, Majority Leader, Hon. JOHN MCCORMACK, and Chairman of Banking and Currency Committee, Hon. BRENT SPENCE, and we urge them to arrange for consideration of Senate bill 502 in the House on Tuesday, May 29, 1945.

THE CALDWELL FLOUR MILLS,
CALIE I. MARTIN, *Manager*.

BOISE, IDAHO, May 21, 1945.

Hon. COMPTON I. WHITE,
Member of Congress,
Washington, D. C.:

At meeting in Boise today Idaho Dairy Products Council made up of the five cooperative creameries signing this wire handling the milk and cream of their 20,000 member patrons protest enactment of Doughton bill (H. R. 2652). Strongly urge you protect future dairy markets by using your influence to prevent enactment of this legislation unless amended. We do not want to be subsidized but cheap-foreign competition would likely make necessary continued subsidy if dairy industry is to be maintained.

UPPER SNAKE RIVER VALLEY
DAIRYMEN'S ASSOCIATION,
JEROME COOPERATIVE CREAMERY,
ADA COUNTY DAIRYMEN'S
ASSOCIATION,
DAIRYMEN'S COOPERATIVE
CREAMERY OF BOISE,
VALLEY FARMERS COOPERATIVE
CREAMERY.

The CHAIRMAN. The question is on the committee amendment as amended.

The committee amendment as amended was agreed to.

The CHAIRMAN. Under the rule, the Committee rises.

Accordingly the Committee rose; and the Speaker pro tempore (Mr. COOPER) having assumed the chair, Mr. COURTNEY, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill (S. 502) to permit the continuation of certain subsidy payments and certain purchase and sale operations by corporations created pursuant to section 5d (3) of the Reconstruction Finance Corporation Act, as amended, and for other purposes, pursuant to House Resolution 264, he reported the bill back to the House with an amendment adopted by the Committee of the Whole.

The SPEAKER pro tempore. Under the rule, the previous question is ordered.

Mr. SPENCE. Mr. Speaker, a parliamentary inquiry.

The SPEAKER pro tempore. The gentleman will state it.

Mr. SPENCE. Would it be in order to ask for a separate vote on the Sundstrom amendment?

The SPEAKER pro tempore. It would not, because that was an amendment to the committee amendment. There can be no separate vote in the House on an amendment to an amendment.

The question is on the amendment.

The amendment was agreed to.

The SPEAKER pro tempore. The question is on the third reading of the bill.

The bill was ordered to be read a third time, and was read the third time.

The SPEAKER pro tempore. The question is on the passage of the bill.

The question was taken; and on a division (demanded by Mr. PATMAN) there were—ayes 81, noes 17.

Mr. SPENCE. Mr. Speaker, I object to the vote on the ground that a quorum is not present, and make the point of order that a quorum is not present.

The SPEAKER pro tempore. Evidently a quorum is not present.

The Doorkeeper will close the doors, the Sergeant at Arms will notify absent Members, and the Clerk will call the roll.

The question was taken; and there were—yeas 246, nays 22, not voting 164, as follows:

[Roll No. 90]

YEAS—246

Abernethy	Bishop	Chiperfield
Allen, Ill.	Blackney	Church
Allen, La.	Bland	Clements
Andersen,	Bolton	Coffee
H. Carl	Brooks	Cole, Kans.
Anderson, Calif.	Brown, Ga.	Cole, Mo.
Anderson,	Brown, Ohio	Combs
N. Mex.	Brumbaugh	Cooper
Andresen,	Bryson	Corbett
August H.	Buffett	Cox
Andrews, Ala.	Bulwinkle	Cravens
Angell	Burch	Crawford
Balley	Burgin	Crosser
Baldwin, Md.	Campbell	Cunningham
Baldwin, N. Y.	Cannon, Mo.	Curtis
Barrett, Wyo.	Carlson	D'Alesandro
Bates, Ky.	Carnahan	Daughton, Va.
Beckworth	Case, N. J.	Davis
Bell	Celler	De Lacy
Bennett, Mo.	Chelf	Delaney,
Biemiller	Chenoweth	John J.

Dingell	Huber	Powers
Dirksen	Hull	Price, Ill.
Dolliver	Jackson	Priest
Domeneaux	Jarman	Ramey
Dondero	Jennings	Ramspeck
Doughton, N. C.	Johnson, Calif.	Rankin
Douglas, Calif.	Johnson, Ill.	Reed, Ill.
Doyle	Johnson, Ind.	Resa
Drewry	Johnson	Richards
Dworshak	Luther A.	Riley
Elliott	Jonkman	Rizley
Ellis	Kee	Robertson,
Ellsworth	Keefe	N. Dak.
Elston	Kelly, Ill.	Robison, Ky.
Engel, Mich.	Kilday	Rockwell
Engle, Calif.	King	Roe, Md.
Ervin	Kinzer	Rogers, Fla.
Fallon	LaFollette	Rogers, N. Y.
Felghan	Landis	Rowan
Fenton	Larcade	Ryter
Fernandez	Lea	Sabath
Flannagan	LeCompte	Sadowski
Fogarty	Lewis	Schwabe, Mo.
Folger	Link	Shafer
Forand	Ludlow	Sheppard
Gallagher	Lyle	Short
Gamble	McCormack	Slaughter
Gardner	McDonough	Smith, Maine.
Gary	McGehee	Snyder
Gathings	McGregor	Sparkman
Gearhart	McMillan, S. C.	Spence
Gibson	McMillen, Ill.	Springer
Gillespie	Madden	Starkey
Gillie	Mahon	Stevenson
Gordon	Manasco	Stockman
Gore	Mansfield, Tex.	Sullivan
Gorski	Martin, Iowa	Summers, Tex.
Gossett	May	Sundstrom
Grant, Ind.	Michener	Talbot
Gregory	Miller, Calif.	Talle
Gwynne, Iowa	Miller, Nebr.	Thom
Hagen	Mills	Thomas, Tex.
Hale	Monroney	Thomason
Halleck	Morrison	Tibbott
Hare	Mott	Tolan
Harless, Ariz.	Mundt	Towe
Harris	Murdock	Trimble
Hartley	Murray, Wis.	Voorhis, Calif.
Havener	Norrell	Vorys, Ohio
Hays	Norton	Walter
Hedrick	O'Brien, Ill.	Weaver
Hendricks	O'Brien, Mich.	Welch
Henry	O'Hara	White
Herter	O'Neal	Whitten
Heseltan	Outland	Whittington
Hill	Patman	Wigglesworth
Hinshaw	Patrick	Winstead
Hobbs	Patterson	Winter
Hoeven	Peterson, Fla.	Wolcott
Holmes, Wash.	Peterson, Ga.	Wolverton, N. J.
Hope	Phillips	Woodruff, Mich.
Horan	Pittenger	Woodrum, Va.
Howell	Ploeser	Zimmerman

NAYS—22

Buck	Lemke	Simpson, Ill.
Byrnes, Wis.	Pickett	Smith, Ohio
Case, S. Dak.	Poage	Smith, Wls.
Clevenger	Reed, N. Y.	Sumner, Ill.
Fuller	Rich	Taber
Jones	Rogers, Mass.	West
Kean	Schwabe, Okla.	
Lanham	Scrivner	

NOT VOTING—164

Adams	Colmer	Gwinn, N. Y.
Andrews, N. Y.	Cooley	Hall
Arends	Courtney	Edwin Arthur
Arnold	Curley	Hall
Auchincloss	Dawson	Leonard W.
Barden	Delaney	Hancock
Barrett, Pa.	James J.	Hand
Barry	Dickstein	Harness, Ind.
Bates, Mass.	Douglas, Ill.	Hart
Beall	Durham	Healy
Bender	Earthman	Hébert
Bennet, N. Y.	Eaton	Heffernan
Bloom	Eberharter	Hess
Bonner	Elsaesser	Hoch
Boren	Fellows	Hoffman
Boykin	Fisher	Holifield
Bradley, Mich.	Flood	Holmes, Mass.
Bradley, Pa.	Fulton	Hook
Brehm	Gavin	Izac
Buckley	Geelan	Jenkins
Bunker	Gerlach	Jensen
Butler	Gifford	Johnson
Byrne, N. Y.	Gillette	Lyndon B.
Camp	Goodwin	Johnson, Okla.
Canfield	Graham	Judd
Cannon, Fla.	Granahan	Kearney
Chapman	Granger	Kefauver
Clark	Grant, Ala.	Kelley, Pa.
Clason	Green	Keogh
Cochran	Griffiths	Kerr
Cole, N. Y.	Gross	Kilburn

Klirwan	O'Toole	Sikes
Knutson	Pace	Simpson, Pa.
Kopplemann	Pfeifer	Smith, Va.
Kunkel	Philbin	Somers, N. Y.
Lane	Plumley	Stefan
Latham	Powell	Stewart
LeFevre	Price, Fla.	Stigler
Lesinski	Quinn, N. Y.	Tarver
Luce	Rabaut	Taylor
Lynch	Rabin	Thomas, N. J.
McConnell	Rains	Torrens
McCowan	Randolph	Traynor
McGlinchey	Rayfiel	Vinson
McKenzie	Reece, Tenn.	Vursell
Maloney	Rees, Kans.	Wadsworth
Mansfield,	Rivers	Wasielewski
Mont.	Robertson, Va.	Welch
Marcantonio	Robinson, Utah	Weiss
Martin, Mass.	Rodgers, Pa.	Wickersham
Mason	Roe, N. Y.	Wilson
McMorrow	Rooney	Wolfenden, Pa.
Morgan	Russell	Wood
Murphy	Sasser	Woodhouse
Murray, Tenn.	Savage	Worley
Neely	Sharp	
O'Konski	Sheridan	

So the bill was passed.

The Clerk announced the following pairs:

General pairs until further notice:

Mr. Hart with Mr. Taylor.
 Mr. Grant of Alabama with Mr. Vursell.
 Mr. Maloney with Mr. Jenkins.
 Mr. Rabaut with Mr. Stefan.
 Mr. Boren with Mr. Judd.
 Mrs. Douglas of Illinois with Mr. Adams.
 Mr. Green with Mr. Bradley of Michigan.
 Mr. Barrett of Pennsylvania with Mr. Arnold.
 Mrs. Woodhouse with Mr. Knutson.
 Mr. Sheridan with Mr. Arends.
 Mr. McGlinchey with Mr. Martin of Massachusetts.
 Mr. Colmer with Mr. Wilson.
 Mr. McKenzie with Mr. Bennet of New York.
 Mr. Pace with Mr. Eaton.
 Mr. Earthman with Mr. Clason.
 Mr. Price of Florida with Mr. Fellows.
 Mr. Weiss with Mr. Graham.
 Mr. Dickstein with Mr. Fulton.
 Mr. Hébert with Mr. Leonard W. Hall.
 Mr. Lane with Mr. Jensen.
 Mr. Keogh with Mr. Edwin Arthur Hall.
 Mr. Eberharter with Mr. Gillette.
 Mr. Pfeifer with Mr. Hess.
 Mr. Curley with Mr. Kilburn.
 Mr. Lynch with Mr. Reece of Tennessee.
 Mr. Neely with Mr. Wadsworth.
 Mr. Bloom with Mr. Welch.
 Mr. Granahan with Mr. Auchincloss.
 Mr. Heffernan with Mr. Harness of Indiana.
 Mr. Rayfiel with Mr. Thomas of New Jersey.
 Mr. Quinn of New York with Mr. Hoffman.
 Mr. James J. Delaney with Mr. Rodgers of Pennsylvania.
 Mr. Kerr with Mr. Mason.
 Mr. Torrens with Mr. Cole of New York.
 Mr. O'Toole with Mr. Gifford.
 Mr. Rooney with Mr. Rees of Kansas.

The result of the vote was announced as above recorded.

The doors were opened.

A motion to reconsider was laid on the table.

RESIGNATION FROM COMMITTEE

The SPEAKER pro tempore (Mr. COOPER) laid before the House the following resignation from a committee:

MAY 28, 1945.

HON. SAM RAYBURN, *Member of Congress, Speaker of the House of Representatives, Washington, D. C.*

MY DEAR MR. SPEAKER: I hereby tender my resignation as a member of the Select Committee on Postwar Military Policy, effective as of this date.

Very truly yours,

D. LANE POWERS.

The SPEAKER pro tempore. Without objection, the resignation will be accepted.

There was no objection.

SHOWING OF PICTURE ON TO TOKYO

Mr. MAY. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Kentucky?

There was no objection.

Mr. MAY. Mr. Speaker, this morning I announced that a new picture produced by the War Department and not yet shown to the public, entitled "On to Tokyo," will be shown in the Caucus Room of the Old House Office Building on Wednesday next, at 10 and at 11 o'clock a. m. All Members, their families, and their staffs are invited to attend.

CORRECTION OF RECORD

Mr. MURRAY of Wisconsin. Mr. Speaker, I ask unanimous consent that my remarks which appear on page 5262 of the RECORD may when the permanent RECORD is printed appear in the Appendix.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Wisconsin?

There was no objection.

PERMISSION TO ADDRESS THE HOUSE

Mrs. ROGERS of Massachusetts. Mr. Speaker, I ask unanimous consent that today, at the conclusion of any special orders heretofore entered, I may be permitted to address the House for 5 minutes.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

EXTENSION OF REMARKS

Mr. REED of New York asked and was given permission to extend his remarks in the RECORD and include a letter.

Mr. SPENCE asked and was given permission to revise and extend his remarks and include a letter and certain statements.

Mr. SHAFER asked and was given permission to extend his remarks in the RECORD in two instances and include a resolution and an editorial.

Mr. ENGLE of California asked and was given permission to extend his remarks in the RECORD immediately following the remarks of the gentleman from Arizona [Mr. HARLESS].

Mr. COLE of Kansas asked and was given permission to extend his remarks in the RECORD.

Mr. DINGELL. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and include an article by Marquis Childs which appeared in the Washington Post this morning, May 28, entitled "Tangled Tapestry of Hate." It has a direct bearing upon the arrest of the 16 prominent democratic Poles who are now being held in Russia.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Michigan?

There was no objection.

[The matter referred to appears in the Appendix.]

Mr. BIEMILLER asked and was given permission to extend his remarks in the RECORD in two instances and include certain editorials.

Mr. MORRISON asked and was given permission to extend his remarks in the RECORD in two instances and include in one an address by Hon. Andrew J. Higgins, of New Orleans, and in the other a letter from Secretary of the Treasury Morgenthau.

Mr. HORAN (at the request of Mr. MICHENER) was given permission to extend his remarks in the RECORD and include a statement.

Mr. ZIMMERMAN asked and was given permission to extend his remarks in the RECORD and include a letter from the commander of Samuel T. Adams Post, No. 66, American Legion, Kennett, Mo., together with a resolution adopted by that post.

Mr. WOLCOTT asked and was given permission to revise and extend the remarks he made today in Committee of the Whole on the bill S. 502.

Mr. WHITE asked and was given permission to extend his remarks in the RECORD following the remarks of the gentleman from South Dakota [Mr. CASE] in the Committee of the Whole and to include therein certain communications, telegrams, and letters.

Mr. HAGEN asked and was given permission to extend his own remarks and to include therein a short letter.

Mr. CARLSON asked and was given permission to extend his remarks in the Appendix of the RECORD and to include a letter.

Mr. GAMBLE asked and was given permission to extend his remarks in five instances and to include letters from constituents, an editorial, and a prayer.

ARMY TECHNICAL SERVICES IN COMBAT, THE CORPS OF ENGINEERS

The SPEAKER pro tempore (Mr. COOPER). Under previous order of the House, the gentleman from California [Mr. HINSHAW] is recognized for 30 minutes.

Mr. HINSHAW. Mr. Speaker, I rise to call to the attention of the Congress and the American people, a few facts on a subject which seems about to be neglected. This subject is the largely unrecognized but indispensable role which has been acted out, is being acted out, and will be acted out, by engineer troops in making the victory over Italy and Germany also a victory over Japan.

I do not intend to take any credit away from other arms and services. They deserve all that they have been given. There has come a time in the course of the war, however, when it is important for the American people to show that they understand and appreciate the services which are being given this country by a GI who is too busy to do much writing home—the Engineer soldier. This Engineer soldier will not be coming home soon. He will not be sitting around rest camps or training camps wondering if the Pacific is going to be harder than Europe was. He will not be wondering how fast the war will end. He will be busy finding out; because the speed with which we can get along with the war at this particular stage de-

pends almost entirely on how fast that Engineer soldier gets his job done. The American Army will pull out of Europe as soon as Engineers prepare the tremendous staging and debarkation facilities necessary—no sooner. The American Army will slam into the Pacific at the pace Engineers can clear the ground and construct bases—no faster. The redeployment period for Engineers, in short, will be a speed-up rather than a rest or breathing period; for when the Engineers are not fighting, they are at work.

Almost a year ago this Congress enacted legislation which awarded additional combat pay to infantrymen as a recognition of their particularly hazardous and important mission. The combat pay was justified as being somewhat equivalent to the flight pay awards all Air Force personnel who spend a specified number of hours in the air. At this time I think it is an appropriate matter for this Congress to consider the granting of special recognition in some form or other to those Army units which because of military necessity must take no rest, but stay in harness and on the job until the present "two down and one to go" is changed to read "three down—and out."

EXTRA PAY NOT ENOUGH

Extra pay, in itself, is hardly enough, because our recognition of the debt we owe to men who have not time to stop for a rest between wars cannot be measured in an extra 5 to 10 dollars a month. If we were giving them something equivalent to combat pay or flight pay, we ought to call it double time—or even triple time—pay; because every engineer GI knows that engineers have been doubletinting on two and three shifts, fighting as well as working, and without a break, since the war began. Major General Sverdrup, head of the Engineer construction service in the Philippines, had to come down from three-shift to two-shift operation recently in order to give his mechanics time enough to make repairs on the bulldozers.

What I have in mind is that we Members of Congress as representatives of the American people should make known to the War Department the American people's wish to honor the Engineer soldiers who have helped put the Army into Africa, into Sicily and Italy, into and across France, across the Rhine, and now farther into the Far East—both with additional pay and with some special insignia. A metal badge would get in an Engineer soldier's way, so a badge is not the answer. I think, however, that two special cloth shoulder patches would come close to being the answer. One—an expert Engineer emblem—to be worn only by those Engineer soldiers who under such tests of proficiency in the assigned mission of their unit as the War Department will prescribe, have proved themselves to be outstandingly proficient as military engineers. Another—a combat engineer emblem—to be awarded to those Engineer units which have carried out combat missions in actual contact with enemy ground forces or have car-

ried out Engineer missions under effective observed or registered enemy fire.

I would suggest the Engineer castle with a laurel wreath to indicate the expert Engineer emblem, and a rifle added to the design to indicate the combat Engineer emblem. Once the designs are adopted, Congress should express to the War Department its desire to make the emblems and their significance well known. I would like it understood by everyone that the idea of awarding such an emblem is not the Engineers' own idea. The Army Engineers do not parade their own excellence. This is our idea. This is our award. We are telling the Army to sew these shoulder patches on expert engineer and combat engineer soldiers because they are our Engineers, and we want people to know it.

I am speaking for the engineers because I happen to be an engineer officer of the World War, and I know that plenty of Engineer soldiers work and fight in the no-man's land between our own infantry and tanks and the enemy's combat elements. Of the three medals of honor awarded posthumously to engineer soldiers in this war, the first one—to Pvt. Junior N. Van Noy, of Preston, Idaho—saluted an engineer of an amphibian boat and shore regiment who single-handedly repulsed a Jap landing at a new beachhead the engineers had established within the Japanese lines on the New Guinea coast. The second—to Sgt. Joseph C. Specker of Odessa, Mo.—saluted a combat engineer who took literally his mission of clearing the way for the Infantry. According to the citation:

On the night of January 7, 1944, Sergeant Specker, with his company, was advancing up the slope of Mount Porchia, Italy. He was sent forward on reconnaissance and on his return he reported to his company commander the fact that there was an enemy machine-gun nest and several well-placed snipers directly in the path and awaiting the company. Sergeant Specker requested and was granted permission to place one of his machine guns in a position near the enemy machine gun. Voluntarily and alone he made his way up the mountain with a machine gun and a box of ammunition. He was observed by the enemy as he walked along and was severely wounded by the deadly fire directed at him. Though so seriously wounded that he was unable to walk, he continued to drag himself over the jagged edges of rock and rough terrain until he reached the position at which he desired to set up his machine gun. He set up the gun so well and fired so accurately that the enemy machine-gun nest was silenced and the remainder of the snipers forced to retire, enabling his platoon to obtain their objective. Sergeant Specker was found dead at his gun.

The third medal of honor—to Technician Fourth Grade Truman Kimbro, of Texas—saluted an Engineer who was the "last man to leave" when the Germans got overambitious in the Ardennes Forest last Christmas week. Kimbro was killed as he strung antitank mines across a Belgian road to stop the German armored columns closing in on our rear guards.

I speak for the Engineers, but soldiers in other technical service forces should qualify for combat recognition also. The Medical Corps men who treat and evacuate the wounded under fire—the Signal

DIGEST OF PROCEEDINGS OF CONGRESS OF INTEREST TO THE DEPARTMENT OF AGRICULTURE
(Issued June 1, 1945, for actions of Thursday, May 31, 1945)

(For staff of the Department only)

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HIGHLIGHTS: Nomination of Anderson to be Secretary of Agriculture reported favorably. Senate conferees appointed on meat-, flour-, and butter-subsidy bill. Senate debated Interior appropriation bill. Senate committee reported resolution directing a surplus property disposal investigation.

SENATE

1. NOMINATIONS. The Agriculture and Forestry Committee reported favorably the nomination of Clinton P. Anderson to be Secretary of Agriculture (p. 5476). Confirmed the nomination of Lewis B. Schwellenbach to be Secretary of Labor (p. 5476).

Received the nominations of Oscar B. Ryder to be a member of the Tariff Commission and of Nelson Lee Smith to be a member of the Federal Power Commission (reappointments)(p. 5477).

2. SUBSIDIES. Sens. Murdock, McFarland, Taylor, Taft, and Millikin were appointed Senate conferees on S. 502, to continue certain RFC subsidies, including those on flour, meat, and butter (pp. 5450-1). House conferees have not yet been appointed.

3. INTERIOR DEPARTMENT APPROPRIATION BILL. Began debate on this bill, H. R. 3024, which was reported with amendments on May 29, during Senate recess (S. Rept. 316)(pp. 5439-40, 5451, 5469-70, 5472-6).

The Senate Committee increased the items for fire protection of forests, soil-conservation work on Interior lands, Bonneville Power Administration, Office of Fishery Coordination, Grazing Service, General Land Office, Bureau of Indian Affairs, agricultural work, Bureau of Reclamation, National Park Service, and Fish and Wildlife Service.

4. PINK-BOLEWORM CONTROL. Received a Texas Legislature Memorial urging an investigation of the advisability of creating an International Pink Bollworm Commission with Mexico to eradicate and combat the spread of the pink bollworm. To Agriculture and Forestry Committee. (p. 5441.)

5. MEAT SHORTAGE. Sen. Capper, Kans., inserted and discussed a letter from the

President of the Kansas Food Dealers Association criticizing OPA for the food shortage (p. 5443).

6. SUGAR TARIFF. Sen. Capper inserted a letter from a local of the Beet Sugar Refineries Employees Union opposing any reduction in the tariff on Cuban sugar (p. 5443).
7. WILDLIFE. Received Calif. Legislature resolutions urging a continuation of the migratory-wildlife shooting season and asking that ammunition be made available for control of predators and the harvesting of game crops (pp. 5441-2).
8. EDUCATION. Received the Federal Security Agency's quarterly report on education and training of defense workers. To Education and Labor Committee. (p. 5441.)
9. LAND GRANTS. Received from the Interior Department a draft of proposed legislation providing that all lands released by railroads pursuant to the Transportation Act of 1940 (in connection with restoration of commercial railroad rates) shall be considered as public domain except those lands which lie within a withdrawal or reservation (such as a national forest), which shall be considered a part of the withdrawal or reservation and shall be administered by the appropriate agency. To Public Lands and Surveys Committee. (p. 5441.)
10. SURPLUS-PROPERTY INVESTIGATION. The Military Affairs Committee reported an original resolution, S. Res. 129, directing that Committee to investigate the disposal of surplus Government property and related problems (S. Rept. 321) (pp. 5444-6).

HOUSE

11. PRICE CONTROL. Rep. Hoffman, Mich., criticized OPA's procedure of calling for samples on articles having a set price (p. 5399).
12. INFORMATION ON THE GOVERNMENT. The Printing Committee reported without amendment H. Con. Res. 50, authorizing a revision of H. Doc. 619, 77th Cong., "Our American Government: What Is It? How Does It Function?" (p. 5438).
13. LEGISLATIVE APPROPRIATION BILL. On objection of Rep. Murray, Wis., no action was taken on Rep. O'Neal's request that the House concur in the Senate amendments to this bill, H. R. 3109 (p. 5399).
14. BANKING AND CURRENCY. Passed with amendment S. 510, to amend the Federal Reserve Act so as to reduce the bank-reserve requirement, extend authority to pledge U. S. securities against Federal Reserve notes, and repeal authority to issue Federal Reserve notes. Agreed to Rep. Spence's (Ky.) amendment to substitute the language of H. R. 3000 (which had been passed earlier) for language of S. 510. Action on H. R. 3000 was then vacated. (pp. 5398-9.)
15. POSTAGE. Post Office and Post Roads Committee reported with amendment H.R. 3288 to readjust rate of postage on catalogs and similar printed advertising and other fourth-class matter (H. Rept. 648) (pp. 5437-8).

ITEMS IN APPENDIX

16. BANKING AND CURRENCY. Extension of remarks of Rep. Buck, N.Y., criticizing the financial policy which the country is following (pp. A2804-5).

ance for such service may be included in the case of any person if and to the extent that the Secretary of War and the Secretary of the Navy jointly find that such service subjected such person to exceptional hazard; and

(6) in the case of any individual whose period of active military service is terminated under other than honorable conditions after the beginning of the period of hostilities in the present war.

ISSUANCE OF BONDS

SEC. 4. (a) The amount of the adjusted-service credit of any person shall be paid by the Secretary of the Department concerned in bonds of the United States in denominations of \$50 having a total face value up to the highest multiple of \$50 in the amount of the adjusted-service credit of the veteran, and the difference between the amount of such credit and the face amount of the bonds so issued shall be paid by the Secretary of the Department concerned out of such sums as may be appropriated for that purpose.

(b) The Secretary of the Department concerned shall permit any veteran, as soon as practicable after the date of enactment of this act and at any time thereafter prior to the payment of the adjusted-service credit of such veteran under subsection (a), to designate a beneficiary to whom such payment shall be made in event of the prior death of the veteran, or to whom any bond issued in making such payment shall be payable if such bond is issued to the veteran and he dies prior to its redemption. Payment under subsection (a) shall be made to the veteran if he is living at the time such payment is made, or, if he be incompetent, to the representative of his estate. If the veteran is deceased at the time such payment is made, payment shall be made to the beneficiary, if any, designated under this subsection, and if there be no such beneficiary, payment shall be made to the estate of the veteran: *Provided*, That the Secretary of the Department concerned may make payment to the person or persons determined by such Secretary to be lawfully entitled thereto, without the necessity of appointment by judicial proceedings or otherwise of a legal representative of the estate of the veteran or of any other person, or of compliance with State law in respect of the administration of estates: *Provided further*, That the amount of any such payment which, under the law of the State or country pursuant to which the estate of the deceased veteran would be distributed would otherwise escheat to such State or country, shall escheat to the United States and shall be covered into the general fund of the Treasury.

(c) (1) In the case of any veteran who has been discharged or otherwise released from active military service, or who has died, prior to the date of enactment of this act, (A) payment under subsection (a) shall be made as soon as practicable after such date of enactment, (B) bonds issued in making such payment shall be issued as of the beginning of the month in which such date of enactment occurs, (C) payment under subsection (a) shall be made only upon application filed in accordance with regulations prescribed by the Secretary of the Department concerned, and (D) the Secretary of the Department concerned shall, as soon as practicable, mail to the last-known address of the veteran, or the representative of his estate, or such other person as may be determined by such Secretary to be appropriate, a notice of their right to apply for the benefits of this section.

(2) In the case of any veteran who is discharged or otherwise released from active military service, or who dies, upon or after the date of enactment of this act and prior to the expiration of 6 months after the termination of hostilities in the present war

as proclaimed by the President, payment under subsection (a) shall be made upon or as soon as practicable after the date of discharge or release from active military service or death, and the bonds issued in making such payment shall be issued as of the beginning of the month in which such discharge, release, or death occurs or such furlough begins.

(3) In the case of any veteran who is in the active military service upon the expiration of 6 months after the cessation of hostilities in the present war as proclaimed by the President payment under subsection (a) shall be made upon or as soon as practicable after the expiration of such 6 months, and bonds issued in making such payment shall be issued as of the beginning of the month in which such 6 months expires.

(d) The bonds issued under this section—
(1) shall be issued under the authority and subject to the provisions of the Second Liberty Bond Act, as amended;

(2) shall not be transferable or assignable except as provided in section 5;

(3) shall mature 10 years after the date of issuance and shall be redeemable by the Secretary of the Treasury at any time after the date of such maturity; and

(4) shall bear interest at the rate of 3 percent per annum.

The Secretary of the Treasury shall prescribe such regulations as may be necessary or appropriate to provide for the issuance and redemption of bonds under this section in order to carry out the purposes of this act; but insofar as such regulations relate to functions to be performed by any other department or agency of the Government, they shall be subject to the approval of the head of such other department or agency.

PURCHASE OF FARMS AND SURPLUS PROPERTY

SEC. 5. (a) Any veteran to whom any bond has been issued under section 4 and who desires to use the proceeds of such bond prior to its maturity in order to purchase land to be used by him in farming operations conducted by him, or in order to purchase any property disposed of by the United States under the provisions of the Surplus Property Act of 1944, may assign such bond in connection with such purchase.

(b) Any bond assigned with the approval of the Secretary under this section shall be redeemable from the assignee at any time, upon presentation for redemption in accordance with rules and regulations prescribed by the Secretary of the Treasury. Such bond shall be redeemed by paying the face value and accrued interest thereon to the date of assignment, and no interest shall accrue after such date of assignment.

MISCELLANEOUS PROVISIONS

SEC. 6. (a) The benefits provided by this act shall be in addition to any other benefits provided by law with respect to persons who have performed active military service or their dependents.

(b) The Administrator of Veterans' Affairs shall, as soon as practicable, prepare and publish a pamphlet or pamphlets containing an explanation of the provisions of this act; and shall from time to time thereafter prepare and publish such additional or supplementary information as may be found necessary. The publications provided for in this section shall be distributed in such manner as the Administrator determines to be most effective to inform veterans and their beneficiaries and estates of their rights under this act.

SEC. 7. (a) No amount payable under this act to a veteran or his beneficiary or estate, no bond issued under this act, and no proceeds of any such bond shall be subject to attachment, levy, or seizure under any legal or equitable process, or be regarded as income for the purposes of National or State taxation, except that interest upon such bonds shall be subject to taxation as in the case of

war savings bonds of series E issued under the Second Liberty Bond Act, as amended.

(b) No deduction on account of any indebtedness of a veteran or his beneficiary or estate to the United States shall be made from the adjusted-service credit of any veteran or from any amounts payable under this act to any veteran or his beneficiary or estate.

SEC. 8. (a) Any officer charged with any function under this act shall make such regulations, not inconsistent with this act, as may be necessary for the efficient administration of such function.

(b) Any officer charged with any function under this act may delegate and provide for the delegation of such function to any other officer or employee of the United States. No such delegation shall be made by an officer in any department or agency to an officer or employee in any other department or agency, except with the consent of the head of such other department or agency.

SEC. 9. There are hereby authorized to be appropriated such sums as may be necessary for carrying out the provisions of this act.

SEC. 10. (a) Any person who knowingly makes any false or fraudulent statement of a material fact in any application or other document made under the provisions of this act, or made in order to secure any of the benefits of this act, shall, upon conviction thereof, be fined not more than \$1,000 or imprisoned not more than 2 years, or both.

(b) Any person who charges or collects, or attempts to charge or collect, either directly or indirectly, any fee or other compensation for assisting in any manner a veteran or his beneficiary in obtaining any of the benefits of this act shall, upon conviction thereof, be fined not more than \$1,000 or imprisoned not more than 2 years, or both.

SPECIAL MEDAL OF HONOR TO ERNIE PYLE

Mr. WILLIS. Mr. President, recently, in conjunction with my colleague, the junior Senator from Indiana [Mr. CAPEHART] and the Senators from New Mexico [Mr. HATCH and Mr. CHAVEZ] and the Senator from Minnesota [Mr. SHIPSTEAD], I introduced a joint resolution proposing to award posthumously a Congressional Medal of Honor to the late Ernie Pyle. I have been advised by the Committee on Military Affairs that this medal is always restricted to men who have had military connections.

Therefore, today I introduce for myself, my colleague the junior Senator from Indiana [Mr. CAPEHART], the Senators from New Mexico [Mr. HATCH and Mr. CHAVEZ], and the Senator from Minnesota [Mr. SHIPSTEAD] a joint resolution authorizing the President of the United States to award posthumously in the name of Congress a special medal of honor to the late Ernie Pyle.

The joint resolution (S. J. Res. 72) authorizing the President of the United States to award posthumously in the name of Congress a special medal of honor to Ernie Pyle, introduced by Mr. WILLIS (for himself, Mr. CAPEHART, Mr. HATCH, Mr. CHAVEZ, and Mr. SHIPSTEAD), was read twice by its title, and referred to the Committee on Military Affairs.

HOUSE BILL REFERRED

The bill (H. R. 3306) making appropriations for the Government of the District of Columbia and other activities chargeable in whole or in part against the revenues of such District for the fiscal year ending June 30, 1946, and for other purposes, was read twice by its

title and referred to the Committee on Appropriations.

WALTER L. JACKSON AND THE CITY-COUNTY HOSPITAL—MOTION TO RECONSIDER

Mr. ELLENDER. Mr. President, at the last call of the calendar the Senate passed the bill (H. R. 1260) for the relief of Dr. Walter L. Jackson and City-County Hospital.

Since that time I have been informed that the claim of Walter L. Jackson and the City-County Hospital, as incorporated in this bill, has been paid and discharged by the War Department. I now move that the Senate reconsider the vote by which the bill was passed.

The PRESIDENT pro tempore. The question is on agreeing to the motion of the Senator from Louisiana.

The motion was agreed to.

Mr. ELLENDER. I ask that the bill be indefinitely postponed.

The PRESIDENT pro tempore. Without objection, it is so ordered.

THE PEARL HARBOR INCIDENT—EXTENSION OF STATUTE OF LIMITATIONS

Mr. HATCH. Mr. President, I ask unanimous consent for the present consideration of Calendar No. 306, Senate joint resolution 66.

The PRESIDENT pro tempore. The joint resolution will be read by title for the information of the Senate.

The CHIEF CLERK. A joint resolution (S. J. Res. 66) to extend the statute of limitations in certain cases.

Mr. HATCH. Mr. President, I may say that the extension of the statute of limitations applies to anybody who might have been guilty in connection with the Pearl Harbor disaster.

The PRESIDENT pro tempore. Is there objection to the present consideration of the joint resolution?

There being no objection, the joint resolution was considered, ordered to be engrossed for a third reading, read the third time, and passed as follows:

Resolved, etc., That effective as of December 7, 1943, all statutes, resolutions, laws, articles, and regulations, affecting the possible prosecution of any person or persons, military or civil, connected with the Pearl Harbor catastrophe of December 7, 1941, or involved in any other possible or apparent dereliction of duty, or crime or offense against the United States, that operate to prevent the court martial, prosecution, trial, or punishment of any person or persons in military or civil capacity, involved in any matter in connection with the Pearl Harbor catastrophe of December 7, 1941, or involved in any other possible or apparent dereliction of duty or crime or offense against the United States, are hereby extended, in addition to the extensions provided for in Public Laws 208, 339, and 489, Seventy-eighth Congress, for a further period ending 6 months after the date of the termination of hostilities in the present war with Japan as proclaimed by the President or as specified in a concurrent resolution of the two Houses of Congress, whichever is the earlier.

LEAVES OF ABSENCE

The PRESIDENT pro tempore. Without objection, leave of absence for a week will be granted the senior Senator from North Carolina [Mr. BAILEY], for reasons stated in a letter addressed by him to the Chair.

Mr. BARKLEY. Mr. President, I ask unanimous consent that the senior Senator from Illinois [Mr. LUCAS] be excused from service in the Senate today. He will be absent on public business.

The PRESIDENT pro tempore. Without objection, leave of absence is granted the senior Senator from Illinois.

Mr. LANGER. Mr. President, I ask unanimous consent that my colleague, the junior Senator from North Dakota [Mr. YOUNG], may be excused for the period of a week. He has been called to North Dakota on business.

The PRESIDENT pro tempore. Without objection, leave of absence for a week is granted the junior Senator from North Dakota.

RECONVERSION AND FULL EMPLOYMENT—ADDRESS BY SENATOR MURRAY

[Mr. ELLENDER asked and obtained leave to have printed in the RECORD an address delivered by Senator MURRAY before the Chicago Reconversion Conference, Illinois Manufacturers' Association and the National Association of Manufacturers, at Chicago on May 24, 1945, which appears in the Appendix.]

COMPULSORY MILITARY TRAINING—ADDRESS BY SENATOR TAFT

[Mr. TAFT asked and obtained leave to have printed in the RECORD an address entitled "Compulsory Military Training in Peacetime Will Destroy Government by the People," delivered by him at Gettysburg National Cemetery, May 30, 1945, which appears in the Appendix.]

WHERE DO WE GO FROM SAN FRANCISCO—REMARKS BY SENATOR ELLENDER

[Mr. HATCH asked and obtained leave to have printed in the RECORD remarks on the subject Where Do We Go From San Francisco?, delivered by Senator ELLENDER in the Free Speech Forum on May 29, which appears in the Appendix.]

JEFFERSON DAY DINNER ADDRESS BY SENATOR JOHNSTON OF SOUTH CAROLINA

[Mr. BRIGGS asked and obtained leave to have printed in the RECORD a Jefferson Day Dinner address delivered by Senator JOHNSTON, at Sioux Falls, S. Dak., on May 26, 1945, which appears in the Appendix.]

DECORATION DAY SERVICE AT GRAVE OF FRANKLIN D. ROOSEVELT—ADDRESS BY HON. FRANK C. WALKER

[Mr. MCKELLAR asked and obtained leave to have printed in the RECORD the address delivered by Hon. Frank C. Walker, former Postmaster General, at the memorial service at the grave of Franklin D. Roosevelt, under the auspices of the Roosevelt Home Club, Hyde Park, N. Y., on May 30, 1945, which appears in the Appendix.]

MEMORIAL CEREMONY AT MUIR WOODS IN MEMORY OF FRANKLIN D. ROOSEVELT

[Mr. MORSE asked and obtained leave to have printed in the RECORD a letter from Capt. Richard L. Neuberger and the proceedings incident to exercises held on May 19 in Muir Woods, Calif., in memory of the late President Franklin D. Roosevelt, which appear in the Appendix.]

MEMORIAL DAY ADDRESS BY ENSIGN HUDSON HYATT, UNITED STATES NAVAL RESERVE

[Mr. BURTON asked and obtained leave to have printed in the RECORD a Memorial Day address by Ensign Hudson Hyatt, USNR, which appears in the Appendix.]

HEALTH FEATURES OF SOCIAL SECURITY AMENDMENTS OF 1945

[Mr. WAGNER asked and obtained leave to have printed in the RECORD letters addressed to him by Dr. Ernest P. Boas, chairman of the Physicians Forum, a statement issued by Mr. William Green, president of the American Federation of Labor, and a statement issued by Mr. Philip Murray, president of the Congress of Industrial Organizations, endorsing S. 1050, entitled "The Social Security Amendments of 1945," which appear in the Appendix.]

BILLIONTH GALLON OF HIGH OCTANE GAS PRODUCED AT BATON ROUGE, LA., REFINERY

[Mr. OVERTON asked and obtained leave to have printed in the RECORD a news release relative to the billionth gallon of high-octane aviation gasoline produced by the Standard Oil of New Jersey refinery at Baton Rouge, La., which appears in the Appendix.]

THE FEPC BILL

[Mr. BILBO asked and obtained leave to have printed in the RECORD a statement by the mayor of a California city setting forth his objections to a resolution of the board of supervisors approving assembly bill No. 3, the California Fair Employment Practices Act, which appears in the Appendix.]

RESETTLEMENT OF WEST AFRICA BY NEGROES

[Mr. BILBO asked and obtained leave to have printed in the RECORD a letter from W. L. Jackson, of Baltimore, Md., regarding the resettlement of West Africa by American Negroes, which appears in the Appendix.]

THE MISSOURI VALLEY AUTHORITY—EDITORIAL FROM THE OMAHA EVENING WORLD-HERALD

[Mr. BUTLER asked and obtained leave to have printed in the RECORD an editorial entitled "A River and an Issue," published in the May 21, 1945, issue of the Omaha Evening World-Herald, which appears in the Appendix.]

OBSERVANCE OF INDEPENDENCE WEEK—PROCLAMATION BY GOVERNOR OF INDIANA

[Mr. WILLIS, on behalf of himself and the junior Senator from Indiana [Mr. CAPEHART], asked and obtained leave to have printed in the RECORD a proclamation by the Governor of Indiana urging the observance in the State of Indiana of Independence Week from June 30 to July 4, which appears in the Appendix.]

PAUL T. THOMPSON

The PRESIDENT pro tempore laid before the Senate a message from the House of Representatives announcing its disagreement to the amendment of the Senate to the bill (H. R. 905) for the relief of Paul T. Thompson, and requesting a conference with the Senate on the disagreeing votes of the two Houses thereon.

Mr. ELLENDER. I move that the Senate insist upon its amendment, agree to the request of the House for a conference, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to; and the President pro tempore appointed Mr. ELLENDER, Mr. JOHNSTON of South Carolina, and Mr. WILSON conferees on the part of the Senate.

CONTINUATION OF CERTAIN SUBSIDY PAYMENTS

The PRESIDENT pro tempore laid before the Senate the amendment of the

House of Representatives to the bill (S. 502) to permit the continuation of certain subsidy payments and certain purchase and sale operations by corporations created pursuant to section 5d (3) of the Reconstruction Finance Corporation Act, as amended, and for other purposes.

Mr. WAGNER. Mr. President, I move that the Senate disagree to the amendment of the House, request a conference with the House on the disagreeing votes of the two Houses thereon, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to; and the President pro tempore appointed Mr. MURDOCK, Mr. McFARLAND, Mr. TAYLOR, Mr. TAFT, and Mr. MILLIKIN conferees on the part of the Senate.

MESSAGE FROM THE HOUSE—ENROLLED JOINT RESOLUTION SIGNED

A message from the House of Representatives, by Mr. Swanson, one of its reading clerks, announced that the Speaker had affixed his signature to the enrolled joint resolution (H. J. Res. 113) granting the consent of Congress to an agreement amending the original agreement entered into by the States of New York and Vermont relating to the creation of the Lake Champlain Bridge Commission; and it was signed by the President pro tempore.

INTERIOR DEPARTMENT APPROPRIATIONS

Mr. HAYDEN. Mr. President, I move that the Senate proceed to the consideration of House bill 3024, the Interior Department appropriation bill.

The motion was agreed to; and the Senate proceeded to consider the bill (H. R. 3024) making appropriations for the Department of the Interior for the fiscal year ending June 30, 1946, and for other purposes, which had been reported from the Committee on Appropriations with amendments.

Mr. HAYDEN. Mr. President, I ask unanimous consent that the formal reading of the bill be dispensed with, that it be read for amendment, and that the committee amendments be first considered.

The PRESIDENT pro tempore. Is there objection? The Chair hears none, and it is so ordered.

Mr. LA FOLLETTE. Mr. President, may I ask the majority leader what his pleasure is so far as the visiting guests are concerned.

Mr. BARKLEY. Mr. President, at 12:30 o'clock visiting guests from Iraq are to be present, and it is desired that Senators be given an opportunity to meet them. I thought we would take a brief recess, have the distinguished guests escorted into the Chamber, and afford Senators the pleasure of greeting and shaking hands with them. In order that as many as possible may be present, I now suggest the absence of a quorum.

The PRESIDENT pro tempore. Does the Senator from Wisconsin yield for that purpose?

Mr. LA FOLLETTE. I yield for that purpose.

The PRESIDENT pro tempore. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Bankhead	Gerry	Morse
Barkley	Green	O'Daniel
Bilbo	Guffey	O'Mahoney
Bridges	Hart	Overton
Briggs	Hatch	Pepper
Buck	Hayden	Shipstead
Burton	Hickenlooper	Smith
Bushfield	Hoey	Taft
Butler	Johnson, Calif.	Thomas, Okla.
Capper	Johnson, Colo.	Wagner
Chandler	Johnston, S. C.	Walsh
Chavez	La Follette	White
Cordon	Langer	Wiley
Donnell	McKellar	Willis
Ellender	McMahon	Wilson
Fulbright	Magnuson	
George	Moore	

Mr. BARKLEY. I announce that the Senator from Virginia [Mr. GLASS], the Senator from New York [Mr. MEAD], and the Senator from Nevada [Mr. SCRUGHAM] are absent because of illness.

The Senator from Florida [Mr. ANDREWS] is necessarily absent.

The Senator from North Carolina [Mr. BAILEY], the Senator from California [Mr. DOWNEY], the Senator from Pennsylvania [Mr. GUFFEY], the Senator from Illinois [Mr. LUCAS], the Senator from Nevada [Mr. McCARRAN], the Senator from Utah [Mr. MURDOCK], the Senator from Montana [Mr. MURRAY], the Senator from Pennsylvania [Mr. MYERS], the Senator from Idaho [Mr. TAYLOR], and the Senator from Utah [Mr. THOMAS] are absent on public business.

The Senator from Virginia [Mr. BYRD], the Senator from Mississippi [Mr. EASTLAND], the Senator from South Carolina [Mr. MAYBANK], the Senator from Arkansas [Mr. McCLELLAN], the Senator from Georgia [Mr. RUSSELL], and the Senator from Tennessee [Mr. STEWART] are absent visiting battlefields in Europe.

The Senator from Texas [Mr. CONNALLY] is absent on official business as a delegate to the International Conference in San Francisco.

The Senator from Alabama [Mr. HILL] is absent because of illness in his family.

The Senator from West Virginia [Mr. KILGORE], the Senator from Washington [Mr. MITCHELL], and the Senator from Delaware [Mr. TUNNELL] are absent in Europe on official business for the Special Committee Investigating the National Defense Program.

The Senator from Arizona [Mr. McFARLAND] and the Senator from Montana [Mr. WHEELER] are absent on official business in Europe for the Interstate Commerce Committee.

The Senator from Maryland [Mr. TYDINGS], chairman of the Committee on Territories and Insular Affairs, is inspecting the Philippine Islands and therefore is necessarily absent.

Mr. WHITE. The Senator from Vermont [Mr. AUSTIN], the Senator from Illinois [Mr. BROOKS], the Senator from Nebraska [Mr. WHERRY], and the Senator from North Dakota [Mr. YOUNG] are absent by leave of the Senate.

The Senator from Michigan [Mr. VANDENBERG] is absent on official business as a delegate to the International Conference at San Francisco.

The Senator from Idaho [Mr. THOMAS] and the Senator from Colorado [Mr.

MILLIKIN] are absent because of illness.

The Senator from New Jersey [Mr. HAWKES] is absent on official business by leave of the Senate.

The Senator from Maine [Mr. BREWSTER], the Senator from Minnesota [Mr. BALL], and the Senator from Michigan [Mr. FERGUSON] are absent on official business of the Senate as members of the Mead committee.

The Senator from Indiana [Mr. CAPEHART] is necessarily absent on official business.

The Senator from Wyoming [Mr. ROBERTSON] is absent by leave of the Senate on official business of the Committee on Public Lands and Surveys.

The Senator from South Dakota [Mr. GURNEY], the Senator from Kansas [Mr. REED], and the Senator from West Virginia [Mr. REVERCOMB] are absent on official business of the Senate as members of a subcommittee of the Senate.

The Senator from Massachusetts [Mr. SALTONSTALL] is absent on official business.

The Senator from New Hampshire [Mr. TOBEY] is absent on official business.

The Senator from Vermont [Mr. AIKEN] is absent by leave of the Senate on official business.

The PRESIDENT pro tempore. Forty-nine Senators having answered to their names, a quorum is present.

VISIT TO THE SENATE BY HIS ROYAL HIGHNESS ABDUL ILAH, REGENT AND HEIR APPARENT TO THE THRONE OF IRAQ

Mr. BARKLEY. Mr. President, His Royal Highness Abdul Ilah, Regent and Heir Apparent to the Throne of Iraq; the Honorable Ali Jawdat, Minister of Iraq to the United States of America; and His Excellency Nuri Pash As-Said, former Prime Minister of Iraq, are in the Vice President's room as guests of the Senate. I ask unanimous consent that the Senate stand in recess until a quarter to 1, in order that these distinguished guests may be escorted into the Chamber and Senators may meet them individually.

The PRESIDENT pro tempore. Is there objection? The Chair hears none, and the Senate will stand in recess subject to the call of the Chair.

Thereupon (at 12 o'clock and 30 minutes p. m.) the Senate took a recess for 15 minutes.

During the recess,

His Royal Highness Prince Abdul Ilah, Regent of Iraq, escorted by Mr. BARKLEY, Mr. GEORGE, Mr. WHITE, and Mr. LA FOLLETTE, and accompanied by the Honorable Ali Jawdat, Minister of Iraq to the United States; His Excellency Nuri Pasha As-Said, former Prime Minister of Iraq; His Excellency Daud Pasha Al-Haidari, former Minister of Iraq to London; Lt. Col. Ubayd Abdallah, aide-de-camp to the Regent; Dr. H. C. Sinderson Pasha, physician to the Regent; Mr. Raymond D. Muir, representative of the Department of State; Brig. Gen. Robert C. Oliver, United States military aide; and Capt. Arthur H. McCollum, United States naval aide, preceded by the Secretary [Leslie L. Biffle] and the

Sergeant at Arms [Wall Doxey] entered the Chamber.

His Royal Highness Abdul Ilah was escorted to a position on the floor of the Senate in front of the Vice President's desk, and was there greeted by Members of the Senate, who were introduced to him by Mr. BARKLEY.

Following the informal reception His Royal Highness Abdul Ilah and the distinguished visitors accompanying him were escorted from the Chamber.

On the expiration of the recess (at 12 o'clock and 45 minutes p. m.) the Senate reassembled, when it was called to order by the President pro tempore.

RESPONSIBILITIES OF THE UNITED STATES IN FRAMING A JUST PEACE AND A WORKABLE INTERNATIONAL ORGANIZATION

Mr. LA FOLLETTE. Mr. President, the world stands today at one of the great crossroads of history. The United States must determine the course it is to follow. As I see it there are two alternatives.

One is to wash our hands of the whole business and refuse to take on the responsibilities our participation in the war has thrust upon us. I do not believe we should do this.

Instead I believe that we should face the new responsibilities that our decisive role in the war has brought upon us. I believe we should strive to create a realistic international organization which will actually work, and to create a peace settlement which will endure. Past experience teaches us that to achieve this purpose both the peace settlement and the world organization must be rooted in principles of justice.

I am profoundly convinced that the United States should throw her moral strength into the international balance to tip the scales on the side of justice and liberty, just as America threw her military strength into the balance that tipped the scales against nazism, fascism, and militarism.

But this does not mean that we must give indiscriminating support to every proposal submitted to us by our allies or by some of our own spokesmen simply because it is advanced in the name of nebulous internationalism. It is easy to get individuals and nations to agree upon vague, general statements of idealistic purposes. The conflicts arise when the terms of a bargain begin to be specific. Verbal idealism does not cost anyone anything. Practical idealism comes high, for it demands mutual sacrifices and constant cooperation in the achievement of a common purpose. It is harder to achieve this practical idealism in peace than in war. If we are to be committed to deep-going international cooperation, we must be on the alert in behalf of true democracy and justice.

And we shall be less than alert if we do not keep the record of the past vividly before us in charting our course for the future. Any plans for international cooperation which ignore the lessons of the past are unrealistic.

WE MUST LOOK TO THE PAST TO PREVENT TRAGIC MISTAKES IN THE FUTURE

Recent history within the memory of living men should protect us from re-

peating past mistakes. Therefore, in discussing the international problems of the present I wish to set them against the back drop of the past. We must constantly remember that no permanent peace can be based on wrong, and that no world organization can be formed strong enough to maintain a bad peace.

The decisions as to the vital elements of the peace settlements will be infinitely more important for your children and mine than any decision at San Francisco regarding the mechanics of enforcing peace. In common with men and women everywhere who long for enduring peace after this global holocaust ends, I have followed the developments at San Francisco closely during these past weeks.

I do not discuss those developments for the moment, but shall come to them presently. I should like to say first that I feel a deepening apprehension that the purpose, program, and possibilities of the Conference have been oversold to the American people, and doubtless to other peoples of the world.

I recall an anecdote told of the late Justice Oliver Wendell Holmes. When asked to give the prime requirement for a Justice of the United States Supreme Court, he replied, "Always to remember that one is not God."

That was an admonition that we Americans should constantly keep in mind in thinking about the Dumbarton Oaks-Yalta proposals which have been under discussion at San Francisco. These proposals are not in themselves a peace plan. They are an incomplete and imperfect arrangement resulting from compromise designed to enforce the peace settlements which are now being made or will be made in the future.

The people of this country have been bombarded from all sides with the dangerous delusion that the San Francisco Conference is the beginning and the end of the peacemaking process. For weeks a sustained, misleading propaganda has been carried on to put over the fantastic idea that the future peace and security of the world depended solely on the outcome of this Conference.

I do not minimize the importance of the San Francisco Conference. But it is vital to make clear that the San Francisco Conference is dealing only with an effort to devise machinery to enforce the peace. The task of the final peace settlements and the task of attempting to build a more secure tomorrow for the world will remain to be done after the San Francisco Conference shall have adjourned. The past should teach us that the most beautifully worded and cleverly contrived instrument of enforcement that the United Nations can possibly devise will fail if the final peace settlements are not firmly grounded in principles of justice.

A JUST PEACE IS MORE IMPORTANT THAN THE MECHANICS OF ENFORCEMENT

Even more important than any decisions at San Francisco on the mechanics of enforcement are the decisions which are being made, and much be made later as to the actual peace settlements. Any enduring peace must ultimately depend upon the decisions as to what finally happens in Poland, Italy, Greece, Burma,

Malay, the Philippines, and in other areas liberated from the yoke of Axis tyranny. It also depends upon what is done with conquered Germany and Japan. It depends, too, upon how the urgent problems of imperialism, competitive armaments, world trade, natural resources, and slave labor are determined.

The United States has played a leading, decisive role in this war. For the second time in 27 years we have thrown the power of the United States into a world war. We have been the decisive factor once more in determining the outcome of a world war.

But from now on we must remember the past and not again make the mistake of putting too much faith in the machinery to enforce peace or in fine phrases about internationalism.

Americans should constantly remember that nebulous internationalism was used during the First World War as a cloak to cover the secret bargains of war-breeding imperialism which were finally disclosed at Versailles. Such secret bargains betray the freedom-loving peoples of all lands. If we are to engage in international cooperation for enduring peace, America should use all her power to uphold a standard which expresses the aspirations of the peoples of all creeds and colors for political freedom and economic opportunity—a standard which would proclaim to the entire world America's aspirations in that peacemaking and in continued international cooperation.

WE HAVE MUCH TO LEARN FROM THE PAST

We have much to learn from the tragic drama of Versailles in 1918-19, when the leaders of the victorious nations, then led by a big four, wrote the peace settlement which exploded scarcely 20 years later in the present global war.

I am convinced that no one who studies objectively the causes of the present holocaust can escape the judgment that this war is a malignant outgrowth from the seeds planted, however unwittingly, by the allied leaders who thought they were peacemakers. Unless we learn greater wisdom from this disastrous past experience, we shall repeat in our own time some of their most perilous mistakes.

No one who reads the record of that period and searches honestly through the memoirs of the principal participants, can avoid the melancholy conclusion that when the allied diplomats abandoned principle in favor of short-sighted expediency, relied upon force instead of justice, and betrayed the promises to conquered, neutral, and subject peoples, they sowed the seeds of the present war.

The first great error made by the United States was its failure to use America's enormous bargaining power in our relations with our allies in the First World War. In the present war we have repeated this tragic mistake. Our bargaining power should have been used before we entered the war in 1917 and continuously thereafter—not to secure selfish ends for the United States, but to advance democratic principles in all countries, and to formulate a just peace settlement in accord with the war aims

3. FLOOD-RELIEF APPROPRIATIONS. Passed with amendment H. J. Res. 208, making appropriations for emergency flood-control and flood-relief work (pp. 5621-2). (For provisions see Digest 109.) Agreed to amendment by Rep. Taber, N. Y., to change from \$200,000 to 10% of the aggregate amounts loaned or granted, the amount permitted to be used for administrative expenses of the Department's flood-relief program (p. 5622).
4. RFC SUBSIDIES. Reps. Spence, Brown of Ga., Patman, Wolcott, and Crawford were appointed conferees on S. 502, to continue RFC subsidies on flcur, meat, and butter (p. 5600). Senate conferees were appointed May 31.
5. STATISTICAL INSTITUTE. Passed without amendment H. R. 688, to enable the United States to become an adhering member of the Inter-American Statistical Institute (pp. 5604-5).
6. DISPOSITION OF RECORDS. Passed as reported H. R. 44, which authorizes the Archivist to prepare and submit to Congress, together with recommendations of the National Archives Council, schedules proposing the disposal, after the lapse of specified periods, of "housekeeping" records; and permits the disposal of such records by Government agencies after the lapse of the periods specified (p. 5605).
7. FLAG PLEDGE. Passed as reported H. J. Res. 180, giving official recognition to the pledge of allegiance to the U. S. flag (pp. 5608-10).
8. FOOD SUPPLY. Rep. Hoffman, Mich., blamed the "food shortage" on the "muddling" of the administration (pp. 5624-5).
9. WOOL TEXTILES. Rep. Canfield, N. Y., criticized WPB, OPA, and Army restrictive measures, stating that they are "paralyzing" the production capacity of the wool-textile industry, and inserted a Botany Worsted Mills' letter on the subject (pp. 5625-6).
10. HOUSING. Passed without amendment H. R. 3322, to amend the National Housing Act so as to provide for veterans' housing (pp. 5611-2).
11. FULL-EMPLOYMENT BUDGET. Rep. Bicmillier, Wis., commended Judge Vinson's favorable report on S. 380, the Murray bill (p. 5600).
12. FEDERAL-EMPLOYEES' HEALTH. Discussed and, at Rep. Kean's (N. J.) request, passed over H. R. 2716, to provide for health programs for Government employees (pp. 5605-6).
13. PHYSICALLY HANDICAPPED WEEK. Passed as reported H. J. Res. 23, to establish the first week in Oct. of each year as National Employ the Physically Handicapped Week (pp. 5606-7).
14. BANKING AND CURRENCY. Majority Leader McCormack stated that there will be no roll-call vote on H. R. 3314, the Bretton Woods monetary bill, until June 7 (pp. 5601-2).

SENATE

15. FULL-EMPLOYMENT BUDGET. Sen. Wagner, N. Y., discussed S. 380, the Murray bill, and inserted Judge Vinson's report favoring it (p. 5573).

16. INTERIOR APPROPRIATION BILL, 1946. Continued debate on this bill, H.R. 3024 (pp. 5567, 5574, 5576-85, 5598). Continued debate on the committee amendment relating to the Central Valley Project and agreed to Sen. Barkley's (Ky.) unanimous consent request to vote on this amendment not later than 1:15, Wed., June 6 (p. 5598).
17. PRICE CONTROL; RATIONING. Banking and Currency Committee reported with amendments S.J.Res. 30, to continue for 18 months (until Dec. 31, 1946) the price-control and stabilization programs (S.Rept. 325) (p. 5571).
Sen. Wiley, Wis., submitted an amendment he intends to propose to S.J.Res. 30 (the price-control and stabilization extension resolution) to permit an increase in C.O.D. prices equivalent to any increase in postal rates or charges (pp. 5564-5).
18. MISSOURI VALLEY AUTHORITY. Sen. Overton, La., announced that the Irrigation and Reclamation Committee hearings on S. 555, the MVA bill, are scheduled to begin Sept. 17 (p. 5565).
Sen. Capper, Kans., inserted a Leavenworth (Kans.) C of C resolution opposing S. 555, the MVA bill (p. 5570).
19. BANKING AND CURRENCY. Agreed to Sen. Barkley's (Ky.) motion to concur in the House amendment to S. 510, to amend the Federal Reserve Act so as to reduce the bank-reserve requirement, extend authority to pledge U.S. securities against Federal Reserve notes, and repeal authority to issue Federal Reserve and U.S. bank notes (pp. 5573-4). This bill will now be sent to the President.
Received a Calif. Legislature resolution urging Congress to maintain existing gold reserve ratios and to enact legislation to increase the monetary value of gold (p. 5562).
20. EDUCATION; VETERANS. Received resolutions from the Mass. Legislature favoring increased allowances for veterans pursuing educational courses under the GI Bill of Rights and from the Rice Lake Vocational and Adult Education School favoring S. 619, to provide vocational education and retraining programs for the occupational readjustment of persons demobilized from wartime industries and from the armed forces. The covering letter on the latter resolution stated that this program provides benefits for farmers by providing means for farm machinery repairs (pp. 5569-70).
21. MEAT DISTRIBUTION. Sen. Capper, Kans., inserted OPA Administrator Bowles' report outlining steps taken by OPA to improve meat distribution and to combat the black market (p. 5571).
22. ST. LAWRENCE WATERWAY. Sen. Aiken, Vt., inserted a United Automobile Workers resolution favoring development of this project (p. 5570).
23. IRRIGATION. Indian Affairs Committee reported without amendment S. 812, to amend the San Carlos Act so as to provide that the construction charges on account of non-Indian lands in the San Carlos irrigation project shall be repaid in variable annual payments (p. 5571).
24. FEDERAL POWERS; TVA. Sen. Wiley, Wis., criticized the extent to which the Federal Government has "entered into business" and "invaded the sphere" of State and local governments, stating that, "our people will demand that a Government-owned enterprise such as the TVA...give some financial return to the Federal Government" (pp. 5572-3).
25. ADJOURNED until Wed., June 6 (pp. 5598-9).

House of Representatives

MONDAY, JUNE 4, 1945

The House met at 12 o'clock noon.
Lt. Col. Donald C. Stuart, post chaplain, Walter Reed Hospital, offered the following prayer:

Most gracious God, we humbly beseech Thee, as for the people of these United States in general, so especially for these their Representatives in Congress assembled, that Thou wouldst be pleased to direct and prosper all their consultations, to the advancement of Thy glory, the safety, honor, and welfare of Thy people; that all things may be so ordered and settled by their endeavors, upon the best and surest foundations; that peace and happiness, truth and justice, religion and piety may be established among us for all generations. Especially we pray that by Thy guidance these Thy servants may provide in all haste for the successful conclusion of the war and the establishment of a just and abiding peace among the nations of the earth. These and all other necessities, for them, and for us, we humbly beg in Thy holy name. Amen.

JOURNAL

The Journal of the proceedings of Friday, June 1, 1945, was read and approved.

MESSAGE FROM THE SENATE

A message from the Senate, by Mr. Frazier, its legislative clerk, announced that the Senate had passed without amendment a concurrent resolution of the House of the following title:

H. Con. Res. 60. Concurrent resolution authorizing the printing as a public document of a revised edition of House Document No. 619, Seventy-seventh Congress, entitled "Our American Government: What Is It? How Does It Function?" and providing for the printing of additional copies thereof.

The message also announced that the Senate agrees to the amendment of the House to a joint resolution of the Senate of the following title:

S. J. Res. 66. Joint resolution to extend the statute of limitations in certain cases.

The message also announced that the President pro tempore has appointed Mr. BARKLEY and Mr. BREWSTER members of the joint select committee on the part of the Senate, as provided for in the act of August 5, 1939, entitled "An act to provide for the disposition of certain records of the United States Government," for the disposition of executive papers in the following departments and agencies:

1. Department of Agriculture.
2. Department of Commerce.
3. Department of the Treasury.
4. Department of War.
5. Federal Security Agency.
6. National Archives.
7. Office of Civilian Defense.
8. Selective Service System.
9. Tennessee Valley Authority.

CONTINUATION OF CERTAIN SUBSIDY PAYMENTS BY CORPORATIONS UNDER THE RECONSTRUCTION FINANCE CORPORATION ACT

Mr. SPENCE. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (S. 502) to permit the continuation of certain subsidy payments and certain purchase and sale operations by corporations created pursuant to section 5d (3) of the Reconstruction Finance Corporation Act, as amended, and for other purposes, with a House amendment, insist on the amendment of the House, and ask for a conference, and that conferees be appointed.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Kentucky? [After a pause.] The Chair hears none, and appoints the following conferees: Mr. SPENCE, Mr. BROWN of Georgia, Mr. PATMAN, Mr. WOLCOTT, and Mr. CRAWFORD.

GEN. DWIGHT D. EISENHOWER

Mr. McCORMACK. Mr. Speaker, I ask unanimous consent to proceed for 1 minute and to extend my remarks in the Appendix of the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

[Mr. McCORMACK addressed the House. His remarks appear in the Appendix of today's RECORD.]

EXTENSION OF REMARKS

Mr. FLANNAGAN. Mr. Speaker, I ask unanimous consent to extend my remarks in the Appendix of the RECORD and include short addresses delivered by Mr. W. A. Lloyd and myself at the exercises held when the auditorium of the Department of Agriculture was dedicated in honor of Thomas Jefferson.

The SPEAKER. Is there objection to the request of the gentleman from Virginia?

There was no objection.

[The matter referred to appears in the Appendix.]

Mr. ELLIOTT asked and was given permission to extend his own remarks in the Appendix of the RECORD.

Mr. BATES of Kentucky asked and was given permission to extend his remarks in the RECORD and include a speech made on Memorial Day at Arlington National Cemetery by War Mobilization Director Fred M. Vinson.

Mr. KIRWAN asked and was given permission to extend his remarks in the RECORD and include an editorial from the Columbus Dispatch.

Mr. EBERHARTER asked and was given permission to extend his remarks in the RECORD and insert an address delivered by Hon John J. Baker, assemblyman of the Commonwealth of Pennsylvania.

Mr. EBERHARTER asked and was given permission to extend his remarks in the RECORD and insert a memorandum concerning the authorship of the Pledge of Allegiance to the Flag of the United States of America.

Mr. ANDREWS of Alabama asked and was given permission to extend his remarks in the RECORD and include a speech by Jimmie Chappell.

Mr. ROGERS of Florida asked and was given permission to extend his remarks in the RECORD and include a resolution on the question of the punishment of war criminals.

Mr. O'NEAL. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and include a letter and an article by Gen. George Rogers Clark. I have a statement from the Public Printer that the cost will be \$121.41, or \$17.34 more than the amount permitted. Notwithstanding that, I renew my request.

The SPEAKER. Without objection, notwithstanding the cost, the extension may be made.

There was no objection.

[The matter referred to appears in the Appendix.]

FULL EMPLOYMENT LEGISLATION

Mr. BIEMILLER. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Wisconsin?

There was no objection.

Mr. BIEMILLER. Mr. Speaker, Judge Vinson has today released to the press a letter which he had sent to Senator WAGNER pertaining to the bill S. 380, popularly known as the full employment bill. Its counterpart in this House is H. R. 2202, introduced by the gentleman from Texas [Mr. PATMAN], and cosponsored by 68 other Members.

I hope every Member of the Congress will pay particular attention to the message of Judge Vinson. I believe that the full employment bill is one of the most important in front of us, and I think Judge Vinson deserves the praise of everyone for his fearless stand in favor of that measure.

The SPEAKER. The time of the gentleman from Wisconsin has expired.

THE MYSTERY ABOUT JOSE DEL CASTANO, SPANISH CONSUL GENERAL IN MANILA

Mr. COFFEE. Mr. Speaker, I ask unanimous consent to address the House

The motion was agreed to; and (at 6 o'clock and 12 minutes p. m.) the Senate took a recess until Wednesday, June 6, 1945, at 12 o'clock meridian.

NOMINATIONS

Executive nominations received by the Senate June 4, 1945:

DIPLOMATIC AND FOREIGN SERVICE

Paul H. Alling, of Connecticut, a Foreign Service officer of class 2, to act as diplomatic agent of the United States of America at Tangier, Morocco.

THE JUDICIARY

UNITED STATES DISTRICT JUDGE

Arthur A. Kosciński, of Michigan, to be United States district judge for the eastern district of Michigan, vice Arthur J. Tuttle, deceased.

PROMOTIONS IN THE REGULAR ARMY OF THE UNITED STATES

MEDICAL CORPS

To be colonel

Lt. Col. Henry Stevens Blesse, Medical Corps (temporary colonel), with rank from May 25, 1945.

To be majors

Capt. Tom French Whayne, Medical Corps (temporary colonel), with rank from May 16, 1945.

Capt. Erling Severre Fugelso, Medical Corps (temporary lieutenant colonel), with rank from May 17, 1945.

Capt. Joseph Garber Cocke, Medical Corps (temporary colonel), with rank from May 23, 1945.

Capt. Alfonso Michael Libasci, Medical Corps (temporary colonel), with rank from May 25, 1945.

Capt. Ralph Torrey Stevenson, Medical Corps (temporary colonel), with rank from May 29, 1945.

Capt. Frank Owings Alexander, Medical Corps (temporary lieutenant colonel), with rank from June 1, 1945.

Capt. John Benson Grow, Medical Corps (temporary colonel), with rank from June 2, 1945.

Capt. Daniel John Waligora, Medical Corps (temporary colonel), with rank from June 10, 1945.

Capt. Dell Fred Dullum, Medical Corps (temporary lieutenant colonel), with rank from June 13, 1945, subject to examination required by law.

Capt. Byron Ludwig Steger, Medical Corps (temporary colonel), with rank from June 17, 1945.

Capt. Louie Render Braswell, Medical Corps (temporary colonel), with rank from June 19, 1945.

To be captains

First Lt. John Mark McIver, Medical Corps (temporary captain), with rank from May 15, 1945.

First Lt. George Thomas Kelleher, Medical Corps (temporary captain), with rank from May 16, 1945.

First Lt. Samuel Hope Sandifer, Medical Corps (temporary captain), with rank from May 19, 1945.

First Lt. John Charles Cressler, Medical Corps (temporary captain), with rank from June 3, 1945.

First Lt. Francis William Lanard, Medical Corps (temporary captain), with rank from June 17, 1945.

First Lt. Louis Axelrod, Medical Corps (temporary captain), with rank from June 24, 1945.

First Lt. Keith Duane Heuser, Medical Corps (temporary captain), with rank from June 25, 1945.

First Lt. Thomas Lewis Ozment, Medical Corps (temporary lieutenant colonel), with rank from June 26, 1945, subject to examination required by law.

CHAPLAIN

To be major

Chaplain (Capt.) Elmer Emil Tiedt, United States Army (temporary lieutenant colonel), with rank from June 17, 1945.

CONFIRMATIONS

Executive nominations confirmed by the Senate June 4, 1945:

POSTMASTERS

TENNESSEE

Cecil G. Bowling, Rockvale.
Frances D. Thomas, Hickman.
Fred W. Butler, Pruden.

DIGEST OF PROCEEDINGS OF CONGRESS OF INTEREST TO THE DEPARTMENT OF AGRICULTURE
(Issued June 13, 1945, for actions of Tuesday, June 12, 1945)

For staff of the Department only)

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HIGHLIGHTS: House debated pay bill and received conference report on bill for RFC subsidies on flour, meat, butter, etc. Senate debated trade-agreements bill. Rep. Flannagan introduced bill to amend provision in Bankhead-Jones Farm Tenant Act requiring loans to farmers to be for farms of efficient farm-management status. President approved flood-relief appropriation measure.

HOUSE.

1. PAY BILL. Continued debate on this bill, H.R. 3393 (pp. 6108-15). (For provisions see Digest 113.) Rejected, 69-125, Rep. Rees' (Kans.) amendment to provide that overtime compensation shall be on the basis of the formula contained in the present law (pp. 6111-5).
2. TRANSPORTATION; HIGHWAYS. Roads Committee reported with amendment H.R. 169, to continue the provisions of Sec. 8 of the Federal Aid Highway Act as amended, Public Law 146, 78th Cong., until Jan. 1, 1947 (H.Rept. 730) (p. 6117); and H.R. 2840, to amend the Defense Highway Act of 1941 by increasing the appropriation authorization for access roads from \$290,000,000 to \$305,500,000 and for access roads to sources of raw materials from \$27,500,000 to \$35,000,000 (H.Rept. 729 (p. 6117)).
3. IRRIGATION. Indian Affairs Committee submitted pt. 2 of the report on H.R. 3288, to amend the San Carlos Act so as to provide that the construction charges on account of non-Indian lands in the San Carlos irrigation project shall be repaid in variable annual payments (H.Rept. 687, pt.2)(p.6117).
4. FORESTRY. Received from this Department proposed legislation to make it a petty offense to enter any national-forest land while it is closed to the public. To Agriculture Committee: (p. 6116.)
5. R.F.C. SUBSIDIES. Received the conference report on S. 502, to continue RFC subsidies on meat, butter, flour, and certain other products (pp. 6107-8). As reported by the conferees, the bill authorizes subsidy payments after July 1, 1945, on obligations incurred before that date and authorizes subsidy payments during the fiscal year 1946 as follows: Foreign materials or commodities (except rubber

and its products), \$80,000,000; foreign rubber and its products, \$60,000,000; domestic meats, \$595,000,000; domestic butter, \$100,000,000; domestic flour, \$190,000,000; domestic petroleum and its products, \$290,000,000; and certain metals and other materials, \$188,000,000. It also permits use of unused portion not over 10% of any of these allocations for making payments on any other enumerated item; and relieves slaughterers from having to repay extra subsidies, and provides for return of extra payments already repaid, unless the slaughterers are convicted of willful violation of contract.

6. POLL TAX. Passed, 251-105, without amendment H.R. 7, to abolish poll-tax requirements in election of Federal officials. (pp. 6079-106).
7. DEFENSE HOUSING. Rules Committee reported a resolution for the consideration of H.R. 3278, to increase the appropriation authorization for war housing by \$30,000,000. (pp. 6106, 6117).
8. CLAIMS. Received from the President supplemental appropriation estimates for claims allowed by GAO (H. Doc. 230). To Appropriations Committee. (pp. 6116-7.)
9. FAIR EMPLOYMENT. Rep. Norton, N.J., criticized the Rules Committee's refusal to grant a rule on H.R. 2232, to create a permanent FEPC (pp. 6115-6).
10. PRICE CONTROL. Received an Erie Co., N.Y., citizen's resolution favoring the continuation of OPA (p. 6117).

SENATE

11. D. C. APPROPRIATION BILL, 1946. Passed with amendments this bill, H. R. 3306, (pp. 6065-7) which was reported with amendments June 11 (S. Rept. 358) (p. 5946). This bill contains appropriations for weight-measure investigations; inspection of foods; distribution of surplus commodities and relief milk; cooperation with this Department in providing milk for school children; administration of a food conservation program through Victory gardens and canning projects, etc.; and permits Federal purchases of products from penal institutions.
12. FOREIGN TRADE. Continued debate on H.R. 3240, to extend the Trade-Agreements Act (pp. 6068-77). As reported by the Finance Committee this bill would continue the trade-agreements program for 3 years from June 12, 1945. The committee struck out the authority to reduce duties by basing the 50% limitation on reductions on the rates in effect on January 1, 1945, in lieu of rates provided under existing law.
Sens. George (Ga.), O'Mahoney (Wyo.), and others discussed the provisions of the bill, particularly with reference to advice of executive departments on the making of trade agreements (pp. 6068-73). Sen. Barkley, Ky., inserted a tabulation on domestic production and imports of certain commodities (pp. 6076-7).
13. PAPER SHORTAGE. Sen. Butler, Nebr., discussed the investigation of the newspaper shortage and stated, "a careful investigation...will not only uncover abuses in the use of paper by the Government" (pp. 6030-1).
14. SURPLUS PROPERTY. Sen. O'Mahoney, Wyo., inserted the second quarterly report of the Surplus Property Board (p. 6078).

ITEMS IN APPENDIX

15. NUTRITION. Extension of remarks of Rep. Murray, Wis., including Acting Secretary Grover B. Hill's letter, relative to the vitamin A content of oleomargarine and butter (pp. A3034-5).

The SPEAKER. Is there objection to the request of the gentleman from Oregon?

There was no objection.

EXTENSION OF REMARKS

Mr. LANE asked and was given permission to extend his remarks in the RECORD and include a resolution adopted by the Massachusetts General Assembly.

Mr. SADOWSKI asked and was given permission to extend his remarks in the RECORD on two different subjects and to include an article from the Detroit Free Press and one from the State News.

Mr. GARY asked and was given permission to extend his remarks in the RECORD and include an editorial from the Times-Dispatch, of Richmond, Va.

Mr. WEISS asked and was given permission to extend his remarks in the RECORD in two instances and to include citations by the War Department.

Mr. PRIEST asked and was given permission to extend his remarks in the RECORD and include an article by William L. Shirer on the need of the OWI.

Mr. PATRICK asked and was given permission to revise and extend the remarks he made in Committee of the Whole.

Mr. ENGLE of California asked and was given permission to extend his remarks in the RECORD on the price of gold.

Mr. ROWAN asked and was given permission to extend his remarks in the RECORD and include a letter from the Illinois Federation of Retail Merchants Association.

Mr. BLOOM (at the request of Mr. KEE) was granted permission to extend his remarks in the RECORD and include a radio address delivered by Andrew T. Walker, president of the New York Post Office Clerks Association.

Mr. POWELL asked and was given permission to revise and extend the remarks he made in Committee of the Whole and to insert a statement from the Southern Conference for Human Welfare.

Mrs. NORTON asked and was given permission to extend her remarks in the RECORD and include an article from the New York Herald Tribune of yesterday and an editorial from the Washington Post of this date.

Mr. HOCH asked and was given permission to extend his remarks in the RECORD and include an address by General Hershey.

Mr. LUTHER A. JOHNSON asked and was given permission to extend his own remarks in the RECORD.

Mr. GEARHART asked and was given permission to extend his own remarks in the RECORD in four instances, in the first to include a letter received from Charles C. Teague; in the second to include a statement by John W. Young, president of the Fraternal Order of Eagles; in the third a letter received from Hon. Edward R. Stettinius; and in the fourth, an article he contributed to the Law Journal of Duke University Law School.

Mr. MURRAY of Wisconsin (at the request of Mr. MARTIN of Massachusetts) was granted permission to extend his remarks in the RECORD and include a letter from the Department of Agriculture.

Mr. WHITTINGTON asked and was given permission to extend the remarks he made in Committee of the Whole and to include some excerpts from the general debate on the poll tax bill.

Mr. SPRINGER asked and was given permission to extend his own remarks in the RECORD.

Mr. EDWIN ARTHUR HALL asked and was given permission to extend his remarks in the RECORD and include a recent colloquy between Bob Evans, CBS reporter, and himself.

Mr. CANFIELD asked and was given permission to extend his remarks in the RECORD and insert a report of the Congressional Board of Visitors to the United States Coast Guard Academy at New London, Conn.

Mr. HOFFMAN asked and was given permission to extend his own remarks in the RECORD.

Mr. HOFFMAN asked and was given permission to revise and extend the remarks he made today.

Mr. ELLIS asked and was given permission to extend his remarks in the RECORD and include an editorial.

Mr. ANDERSON of California asked and was given permission to extend his remarks in the Appendix of the RECORD and include a tribute to Ernie Pyle.

Mr. PATTERSON asked and was given permission to extend his remarks in the RECORD on the Jewish question.

Mr. ANGELL asked and was granted permission to extend the remarks he intends to make in Committee of the Whole and include certain excerpts.

Mr. DICKSTEIN asked and was granted permission to extend his own remarks in the RECORD.

CORRECTION OF ROLL CALL

Mr. CLEVENGER. Mr. Speaker, on the vote just taken I was present and voted "no." I understand my name was called the second time. I ask unanimous consent that the RECORD and Journal be corrected to show that I voted "no."

The SPEAKER. Without objection the RECORD and Journal will be corrected accordingly.

There was no objection.

PERSONAL EXPLANATION

Mr. JUDD. Mr. Speaker, I was one of those in a train wreck yesterday and failed to be present for the roll call on the rule discharging the Committee on Rules and to take up the anti-poll tax legislation. Had I been present I would have voted for both of those, and I wish to be so recorded.

CONTINUATION OF SUBSIDY PAYMENTS BY CORPORATIONS CREATED UNDER THE RFC ACT

Mr. SPENCE, from the Committee on Banking and Currency, submitted the following conference report and statement on the bill (S. 502) to permit the continuation of certain subsidy payments and certain purchase and sale operations by corporations created pursuant to section 5d (3) of the Reconstruction Finance Corporation Act, as amended, and for other purposes, for printing in the RECORD:

CONFERENCE REPORT

The committee of conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 502) to permit the continuation of certain subsidy payments and certain purchase and sale operations by corporations created pursuant to section 5d (3) of the Reconstruction Finance Corporation Act, as amended, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its disagreement to the amendment of the House and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the House amendment insert the following: "That the last paragraph of section 2 (e) of the Emergency Price Control Act of 1942, as amended by the Stabilization Extension Act of 1944, shall not apply, with respect to operations for the fiscal year ending June 30, 1946, to corporations created or operations authorized to be performed pursuant to section 5d (3) of the Reconstruction Finance Corporation Act, as amended: *Provided*, That with respect to such corporations and such operations the making of subsidy payments and buying for resale at a loss shall be limited as follows:

"(a) Payments or purchases may be made after June 30, 1945, in such amounts as may be necessary to fulfill obligations incurred prior to July 1, 1945, with respect to 1945 and prior fiscal year activities.

"(b) Payments and purchases may be made with respect to operations for the fiscal year ending June 30, 1946, which involve subsidies and anticipated losses as follows:

"(1) With respect to materials or commodities, other than rubber and rubber products, produced outside the United States, in an amount not to exceed \$80,000,000;

"(2) With respect to rubber and rubber products produced outside the United States, in an amount not to exceed \$60,000,000;

"(3) With respect to materials or commodities produced within the United States, as follows:

"(A) Meat in an amount not to exceed \$595,000,000;

"(B) Butter in an amount not to exceed \$100,000,000;

"(C) Flour in an amount not to exceed \$190,000,000;

"(D) Petroleum and petroleum products in an amount not to exceed \$290,000,000;

"(E) Copper, lead, and zinc, in the form of premium payments, in an amount not to exceed \$88,000,000; and

"(F) Other materials or commodities in an amount not to exceed \$100,000,000:

Provided, That in the event the entire amount of any of the above allocations is not required for its purpose, the unused portion of such allocation, but not to exceed 10 per centum of such allocation, may be used for making such payments on and purchases of any other item or items enumerated in this Act, as may be determined by the Director of Economic Stabilization: *Provided further*, That the premium price plan for copper, lead, and zinc shall be extended until June 30, 1946, on the same terms as heretofore, except that all classes of premiums shall be noncancelable unless necessary in order to make individual adjustments of income to specific mines; and that the Metals Reserve Company shall purchase during the fiscal year ending June 30, 1946, at its 1944 price schedule, bauxite produced from such of the underground mines as supplied bauxite to the Metals Reserve Company during 1944 and in such quantities as the Bureau of Mines determines as being subject to permanent loss if not removed prior to June 30, 1946, but not to exceed, however, five hundred thousand long tons.

"SEC. 2. Any slaughterer who heretofore or hereafter shall have received extra compensation payments under Livestock Slaughter Payments Regulation No. 3 of Defense Supplies Corporation (adopted pursuant to directives of the Director of Economic Stabilization) when such slaughterer was not in a class eligible for such extra compensation payments, shall be relieved, in whole or in part, of obligation to repay the amount thereof and shall be entitled to receive, in whole or in part, the amount of such extra compensation payments repaid by such slaughterer to, or withheld by Defense Supplies Corporation on account of such extra compensation payments, to the extent that it is determined by the Director of Economic Stabilization, or any agency of the Government authorized by him, that it would be inequitable for Defense Supplies Corporation to require repayment by such slaughterer or to retain the amounts so repaid or withheld, provided such Director or agency also determines that such slaughterer believed reasonably and in good faith that he was eligible to receive such extra compensation payments: *Provided*, That any determination by such Director or agency under this section shall be reviewable by the Emergency Court of Appeals under such rules as such court may prescribe."

And the House agree to the same.

BRENT SPENCE,
PAUL BROWN,
WRIGHT PATMAN,

Managers on the Part of the House.

ABE MURDOCK,
ERNEST W. MCFARLAND,
GLEN H. TAYLOR,
EUGENE D. MILLIKIN,
ROBERT A. TAFT,

Managers on the Part of the Senate.

STATEMENT

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 502) to permit the continuation of certain subsidy payments and certain purchase and sale operations by corporations created pursuant to section 5d (3) of the Reconstruction Finance Corporation Act, as amended, and for other purposes, submit the following statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

The substitute agreed to in conference is the same as the amendment in the nature of a substitute which was passed by the House, except for the differences explained below:

The bill as passed by the Senate contained the following language which was stricken out by the House amendment: "The premium price plan for copper, lead, and zinc shall be extended until June 30, 1946, on the same terms as heretofore, except that all classes of premiums shall be noncancelable unless necessary in order to make individual adjustments of income to specific mines."

This language is restored in the substitute agreed to in conference.

The House amendment contained two sections not in the bill as passed by the Senate, as follows:

"SEC. 2. Any slaughterer not in a class eligible for extra compensation payments under Livestock Slaughter Payments Regulation No. 3 of Defense Supplies Corporation, adopted pursuant to directives of the Director of Economic Stabilization, who has received or may hereafter receive such subsidy payments, shall be relieved of obligation to repay the amount thereof, in whole or in part, to the extent that it is determined by the Director of Economic Stabilization, or any agency of the Government authorized by him, that such slaughterer believed reasonably and in good faith that he

was eligible to receive such subsidy payments for his production, and that requirement of repayment would be inequitable.

"SEC. 3. Any slaughterer, who has received, or may hereafter receive, any subsidy payments from Defense Supplies Corporation, shall be relieved of obligation to repay the amount thereof, in whole or in part, unless Defense Supplies Corporation shall first establish its claim, by proof of willful violation charged, in a court of competent jurisdiction, by a suit to be instituted within 6 months from date of last payment of the amount sought to be recaptured."

In the substitute agreed to in conference a single new section 2 has been substituted for these two sections. The new section grants the same relief which was granted by section 2 of the House amendment, but has been broadened so as to cover not only the cases, covered by that section, where amounts have not been repaid to the Defense Supplies Corporation, but also cases where amounts have been withheld by the Corporation on account of excess payments and cases where excess payments have been repaid to the Corporation.

The proviso at the end of the new section 2, providing for judicial review of the administrative determinations made under the section, has been included to accomplish the general purpose which was intended by section 3 of the House amendment.

The new section 2 agreed to in conference reads as follows:

"SEC. 2. Any slaughterer who heretofore or hereafter shall have received extra compensation payments under Livestock Slaughter Payments Regulation No. 3 of Defense Supplies Corporation (adopted pursuant to directives of the Director of Economic Stabilization) when such slaughterer was not in a class eligible for such extra compensation payments, shall be relieved, in whole or in part, of obligation to repay the amount thereof and shall be entitled to receive, in whole or in part, the amount of such extra compensation payments repaid by such slaughterer to or withheld by Defense Supplies Corporation on account of such extra compensation payments, to the extent that it is determined by the Director of Economic Stabilization, or any agency of the Government authorized by him, that it would be inequitable for Defense Supplies Corporation to require repayment by such slaughterer or to retain the amounts so repaid or withheld, provided such director or agency also determines that such slaughterer believed reasonably and in good faith that he was eligible to receive such extra compensation payments: *Provided*, That any determination by such director or agency under this section shall be reviewable by the Emergency Court of Appeals under such rules as such court may prescribe."

BRENT SPENCE,
PAUL BROWN,
WRIGHT PATMAN,

Managers on the Part of the House.

FEDERAL EMPLOYEES PAY ACT OF 1945

Mr. RAMSPECK. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the further consideration of the bill (H. R. 3393) to improve salary and wage administration in the Federal service; to provide pay for overtime and for night and holiday work; to amend the Classification Act of 1923, as amended; to bring about a reduction in Federal personnel and to establish personnel ceilings for Federal departments and agencies; to require a quarterly analysis of Federal employment; and for other purposes.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the further consideration of the bill, H. R. 3393, with Mr. KEOGH in the chair.

The Clerk read the title of the bill.

Mr. TARVER. Mr. Chairman, I move to strike out the last word and ask unanimous consent to proceed for two additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Georgia?

There was no objection.

The CHAIRMAN. The gentleman from Georgia is recognized for 7 minutes.

Mr. TARVER. Mr. Chairman, on yesterday during general debate on this bill I was engaged in hearings held before one of the subcommittees of the Committee on Appropriations and did not have an opportunity to participate in the debate. I have, however, this morning read carefully the debate as it appears in the CONGRESSIONAL RECORD.

I think that it is a matter of extreme difficulty to judge from this debate exactly what percentage of increase in pay is being accorded by this bill to approximately 1,200,000 Federal employees and in overtime pay to approximately 1,400,000 employees. Members of the committee who have studied the complex questions involved have varied in their estimates all the way from 23 percent to 45 percent. I am inclined, however, to accept the estimate of my distinguished colleague the gentleman from Georgia [Mr. RAMSPECK], chairman of the committee, who has estimated the overall increase at from 23 percent to 24 percent. He also insists that the increase is less than was recently provided by legislation passed through this House for postal employees.

My only purpose in taking the floor at this time is to endeavor to make clear for the RECORD my own position. I have felt that during the period of this emergency there ought not to be salary increases for Government employees of any type but that, although living costs have risen and taxes have increased, the 3,000,000 or more people who gain their livelihood by working for the Government should accept these hardships as their fair share of contribution to the national sacrifice incident to the war effort. I have particularly stressed the fact time and time again that all of us ought to be willing to do this at a time when the national debt is approaching \$300,000,000,000 in volume and when millions of American boys are in the firing lines at \$55 per month. I have felt that Congress, in the enactment of legislation governing the pay of Federal employees and of itself, should set an example to the rest of the country and by its actions justify the efforts that are being made administratively to adhere to what is called the Little Steel formula intended to hold down wages in private industry, and to OPA regulations intended to hold down to reasonable levels the prices of consumers' goods.

In conformity with these views, I have voted against the initial increase granted postal employees in a preceding Congress, having been one of four Members who did so. I voted against the initial

AUTHORIZING THE CONTINUATION OF CERTAIN SUBSIDIES AND PURCHASE AND SALE OPERATIONS

JUNE 12, 1945.—Ordered to be printed

Mr. SPENCE, from the committee of conference, submitted the following

CONFERENCE REPORT

[To accompany S. 502]

The committee of conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 502) to permit the continuation of certain subsidy payments and certain purchase and sale operations by corporations created pursuant to section 5d (3) of the Reconstruction Finance Corporation Act, as amended, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its disagreement to the amendment of the House and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the House amendment insert the following: *That the last paragraph of section 2 (e) of the Emergency Price Control Act of 1942, as amended by the Stabilization Extension Act of 1944, shall not apply, with respect to operations for the fiscal year ending June 30, 1946, to corporations created or operations authorized to be performed pursuant to section 5d (3) of the Reconstruction Finance Corporation Act, as amended: Provided, That with respect to such corporations and such operations the making of subsidy payments and buying for resale at a loss shall be limited as follows:*

(a) *Payments or purchases may be made after June 30, 1945, in such amounts as may be necessary to fulfill obligations incurred prior to July 1, 1945, with respect to 1945 and prior fiscal year activities.*

(b) *Payments and purchases may be made with respect to operations for the fiscal year ending June 30, 1946, which involve subsidies and anticipated losses as follows:*

(1) *With respect to materials or commodities, other than rubber and rubber products, produced outside the United States, in an amount not to exceed \$80,000,000;*

(2) *With respect to rubber and rubber products produced outside the United States, in an amount not to exceed \$60,000,000;*

(3) *With respect to materials or commodities produced within the United States, as follows:*

(A) *Meat in an amount not to exceed \$595,000,000;*

SEC. 2. Any slaughterer who heretofore or hereafter shall have received extra compensation payments under Livestock Slaughter Payments Regulation Numbered 3 of Defense Supplies Corporation (adopted pursuant to directives of the Director of Economic Stabilization) when such slaughterer was not in a class eligible for such extra compensation payments, shall be relieved, in whole or in part, of obligation to repay the amount thereof and shall be entitled to receive, in whole or in part, the amount of such extra compensation payments repaid by such slaughterer to, or withheld by Defense Supplies Corporation on account of such extra compensation payments, to the extent that it is determined by the Director of Economic Stabilization, or any agency of the Government authorized by him, that it would be inequitable for Defense Supplies Corporation to require repayment by such slaughterer or to retain the amounts so repaid or withheld, provided such Director or agency also determines that such slaughterer believed reasonably and in good faith that he was eligible to receive such extra compensation payments: *Provided*, That any determination by such Director or agency under this section shall be reviewable by the Emergency Court of Appeals under such rules as such court may prescribe.

BRENT SPENCE,
PAUL BROWN,
WRIGHT PATMAN,

Managers on the Part of the House.



DIGEST OF PROCEEDINGS OF CONGRESS OF INTEREST TO THE DEPARTMENT OF AGRICULTURE
(Issued June 15, 1945, for actions of Thursday, June 14, 1945)

(For staff of the Department only)

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HIGHLIGHTS: House passed rescissions measure (including \$2,000,000 for WFA salaries and expenses). Both Houses agreed to conference report on bill providing for RFC subsidies. Senate debated trade-agreements bill. Senate committee reported favorably the nomination of Wickard to be REAdministrator.

HOUSE

1. APPROPRIATIONS. Passed without amendment H. J. Res. 202, providing for reductions in 1945 appropriations in amounts as shown in H. Doc. 186 (see Digest 102, item 6) (pp. 6249-52, 6256-60). (Includes \$2,000,000 for WFA salaries and expenses). Rejected, 34-43, Rep. Taber's (N.Y.) amendment to reduce appropriations for the National Housing Agency war housing item by \$14,000,000 (pp. 6256-9). Rep. Case, S.Dak., spoke favoring rescissions of appropriations which were continued available after the fiscal year closed (p. 6259).
2. CONTRACT RENEGOTIATION. Passed, 301-1, without amendment H.R. 3395, to extend through Dec. 31, 1945, the termination date under the Renegotiation Act and for repricing of war contracts (pp. 6239-47). Rejected, Rep. Church's (Ill.) amendment to provide that the termination date shall be Dec. 31, 1944 (pp. 6244-6).
3. SMALL BUSINESS. Received the Smaller War Plants Corporation's report for the period Apr. 1 to May 31, 1945. To Banking and Currency Committee. (p. 6261.)
4. R.F.C. SUBSIDIES. Both Houses agreed to the conference report on S. 502, to continue RFC subsidies on meat, flour, butter, and certain other products (pp. 6229-30, 6235-9). (For provisions of the conference report see Digest 116.)
In discussing the conference report Rep. Sabath, Ill., spoke about the "tremendous crop of wheat and corn" which is deteriorating because of lack of storage facilities and shipping accommodations (p. 6237). Rep. Miller, Nebr., spoke in opposition to the subsidy program. (p. 6238).
This bill will now be sent to the President.
5. FOOD SUPPLY. Rep. Rogers, Mass., discussed the existing food conditions and stated, "The food in this country is not being properly distributed especially meat

products, fats, and sugar" (p. 6234).

Agreed to a resolution authorizing the printing of additional copies of the hearings held before the Committee to Investigate Food Shortages (p. 6239).

6. POSTAGE RATES. Rules Committee reported a resolution for the consideration of H.R. 3238, readjusting the rates of postage on catalogs and other fourth-class matter (pp. 6260, 6261).

Ways and Means Committee reported without amendment H. J. Res. 184, to continue the temporary increases in postal rates on first-class matter (H. Rept. 749)(p. 6261).

7. ADJOURNED until Mon., June 18 (p. 6261). Rep. Ramspeck, Ga., announced the legislative program for next week as follows: Mon., Gen. Eisenhower will be received Tues., Consent and Private Calendars followed by consideration of H.R. 3440, providing for a Scientific Research Bureau, and H.R. 3278, relating to housing matters under the Lanham Act; Wed. and Thurs., OPA extension bill; Fri., War Department appropriation bill; and Sat., the deficiency appropriation bill (p. 6260).

SENATE

8. FOREIGN TRADE. Continued debate on H.R. 3240, the trade-agreements extension bill (pp. 6196, 6198-204, 6213-28, 6230-1, 6232).

Sens. Morse, Oreg., Taft, Ohio, and others discussed the necessity of protection of agricultural products (p. 6202). Sens. O'Mahoney, Wyo., and Brewster Maine, discussed Cuban sugarcane importations (p. 6217). Sens. O'Mahoney, Brewster, and others discussed the membership of the Committee for Reciprocity Information (pp. 6218-20). Sens. Magnuson, Wash., George, Ga., and others discussed pulp industry in the Pacific Northwest (pp. 6223-4). Sens. Brewster, George, and others discussed the rubber tariff (p. 6224).

9. STATISTICS. Foreign Relations Committee reported with amendment H.R. 688, to provide for U.S. membership in the Inter-American Statistical Institute (S.Rept. 366) (pp. 6195-6).
10. PRICE CONTROL. Sen. Wagner, N.Y., inserted Sen. Bankhead's (Ala.) statement on the adoption of the Wherry amendment to the OPA bill relative to cost-of-production formula as applied to agricultural commodities (pp. 6196-7).
11. EDUCATION.. Passed without amendment S. 1080, providing for distribution of funds for vocational training in La. (p. 6231). This bill was reported earlier by the Education and Labor Committee (S. Rept. 368) (p. 6231).
12. HOUSING. Passed without amendment H.R. 3322, to make war housing available to servicemen (pp. 6231-2). This bill was reported earlier by the Education and Labor Committee (S. Rept. 369) (pp. 6231-2).
13. NOMINATION. Agriculture and Forestry Committee reported favorably the nomination of Claude R. Wickard to be ReAdministrator (p. 6232).
14. MILITARY TRAINING. Received a veterans' organization resolution favoring peacetime military training (p. 6195).
15. FARM MACHINERY; VETERANS. Received a Wis. Legislature resolution urging legislation providing priorities for veterans for all equipment, machinery, etc. necessary for building, equipping, and establishing homes, farms, and business enterprises (p. 6195).

TABLE 12.—Summary of 1939 statistics and postwar estimates for all commodities, dutiable and free, covered by the reports

	1939	Estimates for postwar long term					
		Per capita income as in 1939			Per capita income, 75 percent above 1939		
		Duties as in 1939	Duties reduced by 50 percent	Duties increased by 50 percent	Duties as in 1939	Duties reduced by 50 percent	Duties increased by 50 percent
Production for the domestic market (million dollars):							
(a) Gross	41,568	49,949	49,084	50,366	76,531	75,344	77,185
(b) Net (estimated as 75 percent of gross)	31,176	37,462	36,813	37,777	57,398	56,508	57,889
Imports:							
(c) Foreign value (million dollars)	2,064	2,186	2,657	1,950	3,628	4,407	3,156
Estimated ratio of landed value to foreign value (percent)	126.4	126.4	119.2	133.6	126.4	119.2	133.6
(d) Landed value, estimated (million dollars)	2,609	2,763	3,167	2,605	4,586	5,253	4,216

Mr. MAGNUSON. Mr. President, will the Senator yield?

Mr. BREWSTER. I yield.

Mr. MAGNUSON. I should like to ask whether the power of the President to establish quotas exists under the act. I have made inquiry regarding an item important to my State; namely, shingles. At one time, under the Smoot-Hawley Tariff Act, shingles were placed on the free list, following a time when a tariff had been placed on shingles. Then, in 1936, we intervened with the then President of the United States; and he established a quota on Canadian shingles coming into this country, because at that time he felt that under the act he did not have the power to put a tariff on shingles. So quotas have been established on certain items on the free list, and apparently the then President Roosevelt felt that he had that authority.

Mr. BREWSTER. That has also been done in the case of cotton. I believe the quota on cotton has practically eliminated its importation; it has reduced it to negligible quantities—less than 1 percent. The effect of the quota is that of a prohibitive tariff.

Mr. GEORGE. Mr. President, let me say that, although I may be mistaken, my recollection is that the Congress authorized the President to place a quota on shingles, and, pursuant to that authority, the President did place one. I think it questionable whether under the Trade Agreements Act the President could impose quotas on articles on the free list, but I would not make a dogmatic statement to that effect because I think it is debatable whether he has such authority.

Mr. BREWSTER. Have not quotas actually been imposed?

Mr. GEORGE. They have been imposed, I think, only on dutiable articles. My recollection is that in the case of shingles the Congress authorized the President to impose the quota, because there was some doubt about the authority to act, probably under the Reciprocal Trade Agreements law.

Mr. MAGNUSON. The quota took effect; and then, apparently, because of the difference of opinion, the bill granting the authority to the President was passed.

Mr. GEORGE. That is correct.

Mr. BREWSTER. My opinion is that the reduction of all our tariffs by 50 percent would have a negligible effect, whereas if we can promote the prosperity of the United States, as it seems to me is plainly indicated by the findings of the Tariff Commission, that is the constructive way to provide for recovery.

Mr. President, I have indicated why I have serious objection to the reciprocal principle. If we make an agreement with country A, we immediately dress a Christmas tree for the benefit of all the other countries—30 or 40—with whom we may be doing business. As a result, it would be impossible to determine what might be the situation under the unsettled economic conditions with which we might be confronted.

Consequently, it seems wise to allow the President to retain the power he now enjoys, so that he may take action in the light of the situations which develop in the kind of world in which we may live. This is no challenge of the good faith or the intentions or the sincerity of any other country. Let us bear in mind that Britain has imperial preference and the sterling bloc, and Russia has a totalitarian economy. It makes no difference what kind of an agreement we make with Russia; after all, Russia does everything under one tent. So while we might make quotas, Russia would buy or sell or cut as she saw fit to do, not as a matter of governmental agreement, but as a matter of economic policy, which is in an entirely different realm. While we, as a government, were making agreements as to what restrictions we would not impose, Russia, entirely aside from governmental agreements of any character, would carry out whatever trade policy she might desire to adopt.

Until we see the form which this development will take, it seems to me that the United States, without disparagement of its good intentions toward all the other countries of the earth, should merely authorize the President of the United States to continue to exercise the power he has enjoyed throughout the past 10 years.

CONTINUATION OF CERTAIN SUBSIDY PAYMENTS—CONFERENCE REPORT

During the delivery of Mr. BREWSTER's speech,

Mr. MURDOCK. Mr. President, will the Senator from Maine yield?

The PRESIDING OFFICER. (Mr. DONNELL in the chair). Does the Senator from Maine yield to the Senator from Utah?

Mr. BREWSTER. I yield.

Mr. MURDOCK. I present the conference report on Senate bill 502, and ask unanimous consent for its immediate consideration.

The PRESIDING OFFICER. The report will be read.

The legislative clerk read as follows:

The committee of conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 502) to permit the continuation of certain subsidy payments and certain purchase and sale operations by corporations created pursuant to section 5d (3) of the Reconstruction Finance Corporation Act, as amended, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows: That the Senate recede from its disagreement to the amendment of the House and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the House amendment insert the following: "That the last paragraph of section 2 (e) of the Emergency Price Control Act of 1942, as amended by the Stabilization Extension Act of 1944, shall not apply, with respect to operations for the fiscal year ending June 30, 1946, to corporations created or operations authorized to be performed pursuant to section 5d (3) of the Reconstruction Finance Corporation Act, as amended: *Provided*, That with respect to such corporations and such operations the making of subsidy payments and buying for resale at a loss shall be limited as follows:

"(a) Payments or purchases may be made after June 30, 1945, in such amounts as may be necessary to fulfill obligations incurred prior to July 1, 1945, with respect to 1945 and prior fiscal year activities.

"(b) Payments and purchases may be made with respect to operations for the fiscal year ending June 30, 1946, which involve subsidies and anticipated losses as follows:

"(1) With respect to materials or commodities, other than rubber and rubber products, produced outside the United States, in an amount not to exceed \$80,000,000;

"(2) With respect to rubber and rubber products produced outside the United States, in an amount not to exceed \$60,000,000;

"(3) With respect to materials or commodities within the United States, as follows:

"(A) Meat in an amount not to exceed \$595,000,000;

"(B) Butter in an amount not to exceed \$100,000,000;

"(C) Flour in an amount not to exceed \$190,000,000;

"(D) Petroleum and petroleum products in an amount not to exceed \$290,000,000;

"(E) Copper, lead, and zinc, in the form of premium payments, in an amount not to exceed \$88,000,000; and

"(F) Other materials or commodities in an amount not to exceed \$100,000,000:

Provided, That in the event the entire amount of any of the above allocations is not required for its purpose, the unused portion of such allocation, but not to exceed 10 percentum of such allocation, may be used for making such payments on and purchases of any other item or items enumerated in this Act, as may be determined by the Director of Economic Stabilization: *Provided further*, That the premium price plan for copper, lead, and zinc shall be extended until June 30, 1946, on the same terms as heretofore, except that all classes of premiums shall be noncancelable unless necessary in order to make individual adjustments of income to specific mines; and that the Metals Reserve Company shall purchase during the fiscal year ending June 30, 1946, at its 1944

price schedule, bauxite produced from such of the underground mines as supplied bauxite to the Metals Reserve Company during 1944 and in such quantities as the Bureau of Mines determines as being subject to permanent loss if not removed prior to June 30, 1946, but not to exceed, however, five hundred thousand long tons.

"SEC. 2. Any slaughterer who heretofore or hereafter shall have received extra compensation payments under Livestock Slaughter Payments Regulation Numbered 3 of Defense Supplies Corporation (adopted pursuant to directives of the Director of Economic Stabilization) when such slaughterer was not in a class eligible for such extra compensation payments, shall be relieved, in whole or in part, of obligation to repay the amount thereof and shall be entitled to receive, in whole or in part, the amount of such extra compensation payments repaid by such slaughterer to, or withheld by Defense Supplies Corporation on account of such extra compensation payments, to the extent that it is determined by the Director of Economic Stabilization, or any agency of the Government authorized by him, that it would be inequitable for Defense Supplies Corporation to require repayment by such slaughterer or to retain the amounts so repaid or withheld, provided such Director or agency also determines that such slaughterer believed reasonably and in good faith that he was eligible to receive such extra compensation payments: *Provided*, That any determination by such Director or agency under this section shall be reviewable by the Emergency Court of Appeals under such rules as such court may prescribe."

And the House agree to the same.

ABE MURDOCK,
ERNEST W. MCFARLAND,
GLEN H. TAYLOR,
ROBERT A. TAFT,
EUGENE D. MILLIKIN.

Managers on the Part of the Senate.

BRENT SPENCE,
PAUL BROWN,
WRIGHT PATMAN,

Managers on the Part of the House.

The PRESIDING OFFICER. Is there objection to the present consideration of the report?

Mr. WHITE. Mr. President, I inquire does the report represent a complete agreement of the conferees, majority and minority?

Mr. MURDOCK. It does.

Mr. WHITE. Will the Senator indicate briefly what the effect of the agreement it?

Mr. MURDOCK. The conference report provides the authority for the payment of a number of subsidies, the authorization for which will expire on June 30 if the conference report is not adopted prior to that date.

The bill covers the subsidy on meat, the subsidy on flour about which we have all had many telegrams, and a number of other subsidies, and it restores the Senate language, which was stricken by the House, which takes care of the metal premium payment program until June 30, 1946.

It also includes an amendment with reference to slaughterers who in good faith have received certain subsidies and authorizes the Defense Supplies Corporation not to require repayment of such subsidies or in case repayment has been made to make an equitable settlement.

Mr. WHITE. I have no objection Mr. President.

Mr. REED. Mr. President, will the Senator yield?

Mr. MURDOCK. Certainly.

Mr. REED. May I inquire if the conference report continues the flour subsidy for export flour to Latin-American countries?

Mr. MURDOCK. It does.

Mr. REED. I wish to express my appreciation of that action, because without that subsidy it would be impossible for American wheat to move as flour to Latin-American countries. Unless the subsidy is continued we will lose entirely what markets the wheat grower of the United States now has for his wheat in the form of flour going to Latin-American countries.

The PRESIDING OFFICER. Is there objection to the consideration of the conference report?

There being no objection, the report was considered and agreed to.

EXTENSION OF TRADE AGREEMENTS ACT

After the conclusion of Mr. BREWSTER'S speech,

The Senate resumed the consideration of the bill (H. R. 3240) to extend the authority of the President under section 350 of the Tariff Act of 1930, as amended, and for other purposes.

Mr. BROOKS. Mr. President, earlier in the day the discussion centered on the question as to what an industry could do when the Committee for Reciprocity Information heard its case and made no finding. I find that the Elgin Watch Co., which is a very large and substantial concern in Illinois, in testifying before the committee, and under the guidance of questions asked by my colleague the senior Senator from Illinois [Mr. LUCAS], testified that it has lost a large share of the market since the trade-agreement program was inaugurated in 1936. I quote a part of the testimony:

Our suggestion has been twofold. As a matter of fact, we have been before the Reciprocal Trade Committee; we started 2 years ago, and we haven't gotten any action yet. We asked specifically at the hearing in January of this year that there be arranged in some way or another a quota which would permit us to get back into production and get back into the market.

Senators, we came down here in April 1943 and had a long discussion with the State Department, with Mr. Harry Hawkins at that time, quite a brilliant fellow. That is where we started. Later, in December of 1944, we got the other watch companies together and filed a joint brief, and we had a hearing—I think it was January 31, 1945—and we are still in the dog house.

Mr. President, from the standpoint of national defense, the watch industry is one of the very important industries of this country. It has been unable to obtain an answer from the committee, and it has tried to do so for 2 years. I wish publicly to protest against such delay. The company to which I have referred has been engaged in war industry since 1941.

At this point I wish to quote from the testimony of the president of the Elgin Watch Co. He stated, in part, as follows:

What I wish to impress upon you gentlemen is, that despite a warning from the War

Department, a treaty was entered into that injured this industry and that gave the Swiss, subsequent to the trade agreement, 61 percent of the market in 1941 as against 47 percent in 1935—and since 1941 they have had the whole hog—and, consequently, we were not in the position to furnish the Government its military requirements with the speed or in the quantities that an adequately protected industry could have provided.

The watch industry, to be sure, is a specialized industry, but it has tried to obtain action on the part of the committee and has been unable to do so. So far, it has met with delay. No one seems to know when it will succeed in getting the committee to act.

I submit, Mr. President, that in the State of Illinois we have a very specific example of a great industry which is being hindered by the delay on the part of the committee in announcing its decision.

Mr. LUCAS. Mr. President, I agree with my colleague, the junior Senator from Illinois, with respect to the watch industry, and the problems which are now under consideration by one of the committees now handling reciprocity matters.

I do not believe a better witness appeared before the Finance Committee of the Senate than was Mr. T. A. Potter, president of the Elgin National Watch Co. I believe it was generally agreed among members of the committee that if any single industry in America really had a cause for complaint, it was the watch industry of this Nation, primarily because since 1941 very few watches have been made by the American watch industry for domestic use. Uncle Sam took over the control of the watch industry of this country at the beginning of the war, and since then the industry has made all the time precision instruments not only for this country but our Allies as well. It was the genius and capacity of the engineers in the watch industry which gave to the Allied world the fine precision time instruments which contributed so much to the defeat of Germany, and which is now contributing so much to the eventual defeat of Japan.

From the standpoint of the national defense, our Government cannot afford to permit the watch industry to fall by the wayside. We are all hoping that the time will come when we shall not need any more of the time precision instruments which the watch industry has been producing in the past few years. But, on the other hand, I believe that the members of the Finance Committee agree that this great industry has produced instruments of war which no other nation had the knowledge to produce, and that from the standpoint of the future the watch industry should not be destroyed.

In the pending bill provision has been made for the inclusion of Army and Navy representatives for the purpose of making the determinations to which reference has been made. I am sure they will use their influence in favor of the watch industry. In the meantime, the watch industry wishes to know where it stands. It has a right to know. I join with my colleague the junior Senator from Illinois in hoping that those who are re-

Mr. RANKIN. The bill that I have introduced (H. R. 3384) takes care of that very proposition. I ask the gentleman from Pennsylvania to read that bill carefully, because I am sure he will agree with me.

Mr. RICH. Well, you can read that bill and you can talk about the legislation, but I am telling you here that the Members of Congress promised these men that they would get their jobs back.

Mr. RANKIN. Of course, they did.

Mr. RICH. But the labor unions have the Members of Congress, as well as a lot of people in this country, by the neck, and they are wrapping their tails around their necks, and you cannot do anything about it.

Mr. RANKIN. Not around my neck. I have introduced this bill to carry out that promise.

FLAG DAY

Mr. SCRIVNER. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentlemen from Kansas?

There was no objection.

Mr. SCRIVNER. Mr. Speaker, this is Flag Day, and this Nation is particularly flag conscious after the heroic exploit of those marines on Iwo Jima raising the flag. I call the attention of the House to the fact that the flag is more than a colored cloth of red, white, and blue. It takes more than that mere staff or pole upon which it was raised to keep it flying. It requires undying loyalty and support of 135,000,000 Americans to keep that flag aloft.

NATIONAL ENCAMPMENT OF THE GRAND ARMY OF THE REPUBLIC, 1945

Mr. VINSON. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill (H. R. 3287) to authorize the attendance of the Marine Band at the national encampment of the Grand Army of the Republic to be held at Columbus, Ohio, September 10 to 14, inclusive, 1945.

The SPEAKER. Is there objection to the present consideration of the bill?

Mr. VORYS of Ohio. Mr. Speaker, reserving the right to object, and of course I shall certainly not object, because this is an old custom which has been followed for many years, I understand that the chairman of the Committee on Naval Affairs, the gentleman from Georgia [Mr. VINSON], is going to suggest a change in the date from September 10 to September 9.

The SPEAKER. Is there objection to the present consideration of the bill?

There being no objection, the Clerk read the bill, as follows:

Be it enacted, etc., That the President is authorized to permit the band of the United States Marine Corps to attend and give concerts at the national encampment of the Grand Army of the Republic to be held at Columbus, Ohio, from September 10 to 14, inclusive, 1945.

SEC. 2. For the purpose of defraying the expenses of such band in attending and giving concerts at such encampment, there is authorized to be appropriated the sum of \$6,452.10, or so much thereof as may be necessary, to carry out the provisions, of this act: *Provided,* That in addition to trans-

portation and Pullman accommodations the leaders and members of the Marine Band be allowed not to exceed \$8 per day each for additional living expenses while on duty, and that the payment of such expenses shall be in addition to the pay and allowances to which they would be entitled while serving at their permanent station.

Mr. VINSON. Mr. Speaker, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. VINSON: On page 1, line 6, strike out "10" and insert "9."

The amendment was agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

The title was amended so as to read: "To authorize the attendance of the Marine Band at the national encampment of the Grand Army of the Republic to be held at Columbus, Ohio, September 9 to 14, inclusive, 1945."

EXTENSION OF REMARKS

Mr. FOGARTY asked and was given permission to extend his remarks in the RECORD and include an editorial from the Youngstown Vindicator.

CONTINUATION OF CERTAIN SUBSIDY PAYMENTS

Mr. SPENCE. Mr. Speaker, I call up the conference report on the bill (S. 502) to permit the continuation of certain subsidy payments and certain purchase and sale operations by corporations created pursuant to section 5d (3) of the Reconstruction Finance Corporation Act, as amended, and for other purposes, and ask unanimous consent that the statement of the managers on the part of the House be read in lieu of the report.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Kentucky?

There was no objection.

The Clerk read the statement.

(For conference report and statement, see proceedings of the House of June 12, 1945.)

Mr. SPENCE. Mr. Speaker, I yield myself 10 minutes.

Mr. Speaker, this is the conference report on the bill, S. 502, which provides for subsidies on domestically produced butter, meat, flour, the strategic materials; copper, lead, zinc, petroleum products, rubber, and other materials or commodities that are produced outside of the United States.

The amounts in the bill as we bring it back to the House, providing maximum subsidies, are exactly the same as the House agreed upon. The bill provides that \$60,000,000 may be used in subsidies for rubber, and \$80,000,000 for materials or commodities, other than rubber, produced outside of the United States. All of the other subsidies are to be used in connection with domestically produced materials and commodities.

The bill provides for \$595,000,000 for meat, \$190,000,000 for flour, \$100,000,000 for butter, \$290,000,000 for petroleum products, \$100,000,000 that may be used for other commodities and materials, and \$88,000,000 for copper, lead, and zinc. If any of the subsidies are not used for the

purpose for which they are allocated, not exceeding 10 percent of those subsidies may be used for the other commodities and materials provided for in the bill.

It is essential that this bill become law immediately. The authority to use subsidies will expire on June 30 of this year, and if it is not renewed the subsidy program will fail.

Mr. RICH. Mr. Speaker, will the gentleman yield?

Mr. SPENCE. I yield.

Mr. RICH. I want to make this observation, that if you would do the thing that is best for this country you would stop your subsidies right now and pay the price for commodities that are essential. Then you would do this country great good.

Mr. SPENCE. Mr. Speaker, I did not yield for a speech. In answer to the gentleman, if we would stop subsidies right now there would be a collapse of industry that would be indescribable. It is a policy that has been adopted. It would be impossible to stop the subsidies right now; and anybody, I think, who will consider the matter will agree that it would be impossible to stop the subsidies now without a collapse of essential businesses, and consequent disaster to the country. I presume nobody in this House, with the possible exception of the gentleman from Pennsylvania, would vote to stop subsidies now.

Mr. Speaker, the bill comes back on the conference report as passed by the House, with the exception of the provision with reference to the premium price on the strategic materials. The Senate provided that the premium prices should extend until June 30, 1946. The House had taken that provision out of the law and made the continuance optional. The argument has been advanced that the only way we can be assured of the production of strategic materials is by the continuance of these premium prices, that most of this production has come from high-cost producers, and in order to get them into production it was necessary to give them additional incentive.

I feel sure that the practical effect of this amendment in no way will change the procedure. We all know we have a major war to fight and we know these strategic materials are necessary. This is a production subsidy, and even if we should have a cessation of the war by the end of the year, which is entirely improbable, it would not be a matter to be deplored that production continued at the present rate. The House receded and concurred in the Senate amendment in this respect and I think we were thoroughly justified in so doing, for I believe it will continue to assure the necessary production of copper, lead, and zinc, which are so necessary to the successful prosecution of the war.

The only other change made in the bill was in reference to the amendment in regard to slaughterers. We had a provision in the bill that if a slaughterer received a subsidy to which he in good faith believed he was entitled and that compelling him to repay it would result in an inequity, that he could be relieved of the obligation of repayment. The Sundstrom amendment carried that

much further and provided that if the slaughterer had received a subsidy to which under the law he was not entitled, that the Defense Supplies Corporation in their current account could not plead a set-off as against the amount that had been wrongfully paid him, but that they would have to go into a court of competent jurisdiction and prove that he willfully accepted the subsidy. This it seems to me would have been contrary to all business practices and would have worked a great inequity on the Defense Supplies Corporation. We liberalized the House amendment, however, by providing that if the slaughterer had received a subsidy to which he thought he was entitled, or if a subsidy was withheld from him which in good conscience he should have received even though strictly under the law he might not have been entitled to it, and the withholding of it would work an inequity, if the Director of Economic Stabilization decided that the repayment by the slaughterer or the withholding of subsidies by or the repayment to the Defense Supplies Corporation from the slaughterer would work inequity, he could be relieved of the obligation and the subsidy would not have to be repaid and that withheld could be required to be paid to the slaughterer.

Mr. COCHRAN. Mr. Speaker, will the gentleman yield?

Mr. SPENCE. I yield to the gentleman from Missouri.

Mr. COCHRAN. Would the gentleman inform the House just how much is involved in that part of the bill?

Mr. SPENCE. I have forgotten the amount, but it is not a very great amount.

Mr. COCHRAN. But this is about the first time we have provided for relief from liability to pay to certain people who might be indebted to the Government.

Mr. SPENCE. It goes further. I did not complete my sentence.

The SPEAKER. The time of the gentleman from Kentucky has expired.

Mr. SPENCE. Mr. Speaker, I yield myself three additional minutes.

If it is decided by the Director of Economic Stabilization that the Defense Supplies Corporation may withhold the subsidy, or that the subsidy paid to the slaughterer should be paid back without working inequity the slaughterer may then take an appeal from the decision of the Director to the Emergency Court of Appeals. We think that gives him every remedy that he ought to ask for and more than protects his interest in this respect.

Mr. SUNDSTROM. Mr. Speaker, will the gentleman yield?

Mr. SPENCE. I yield to the gentleman from New Jersey.

Mr. SUNDSTROM. If a slaughterer has been paid a subsidy and the OPA or War Food Administration informs the Office of Defense Supplies he is not entitled to it, the Office of Defense Supplies automatically attempts to recapture that. Does that slaughterer then, in the present set-up, have the right to go to the Emergency Court of Appeals before he has to repay that money?

Mr. SPENCE. Yes. He has a right of appeal from the decision of the Director of Economic Stabilization. They cannot recapture unless the Director of Economic Stabilization or such agency as he may designate renders a decision and if he is not satisfied with that decision he can take an appeal to the Emergency Court of Appeals.

Mr. RICH. Mr. Speaker, will the gentleman yield?

Mr. SPENCE. Not for a speech.

Mr. RICH. I will ask the gentleman a question then.

Mr. SPENCE. Yes. Ask a question.

Mr. RICH. With a national debt of \$242,000,000,000 plus, as of June 9, and you take out a billion and a half in subsidies from the Treasury that is as empty and as bare as Mother Hubbard's cupboard, where are you going to get the money to pay these subsidies?

Mr. SPENCE. We have spent this money to win the war and we have won it. I am not worrying about the money we have spent, I am worrying about the boys who are fighting our battles. The money we spent in buying implements of war saved the lives of thousands of our fighting men. I would not worry about the money we spent. It was necessary to win the war.

Mr. RICH. Will the gentleman yield further?

Mr. SPENCE. For a question.

Mr. RICH. When the boys come back and have to pay this debt you are leaving, what are they going to say to you then?

Mr. SPENCE. We left a good many over there and a good many are coming back because we spent the money. That is the answer to that question.

The SPEAKER. The time of the gentleman from Kentucky has expired.

Mr. SPENCE. Mr. Speaker, I yield 10 minutes to the gentleman from Michigan [Mr. WOLCOTT].

Mr. WOLCOTT. Mr. Speaker, it will be noted that the gentleman from Michigan [Mr. CRAWFORD] and myself, members of the conference committee, did not sign the conference report. As a matter of fact, I think it was the strangest conference that I ever attended. There was no opportunity whatsoever to confer on the matter in dispute between the other body and the House. One Member of the other body had proxies for all but one of the conferees and, as I understand it, he had been instructed by those who had given him the proxies not to consent to any change whatsoever.

I had and offered a compromise proposal in lieu of the language in the Senate bill having to do with the noncancelable features of the premiums amounting to \$88,000,000 on copper, lead, and zinc. The reason why I did not sign the conference report was because by restoring that to the bill—it will be recalled that the House committee had stricken it from the bill—we froze the production in our mines on the basis on which we had been getting production for the last few years and made it impossible for the War Production Board or any other agency of the Government, including the Metals Reserve Corporation, to cut back the production of copper, lead, and zinc, even

though it developed within the next few week or few months that we had an excess amount of it.

We have been giving a great deal of consideration to the danger of stockpiling strategic and critical materials.

There is a fundamental danger in creating huge stock piles of basic materials, because if the Government has an excessively large stock pile of any of the basic raw materials, then it may control the flow of those raw materials to industry, and in so doing might negative any reconversion program which this Congress or anyone else might formulate.

Mr. COCHRAN. Mr. Speaker, will the gentleman yield?

Mr. WOLCOTT. I yield to the gentleman from Missouri.

Mr. COCHRAN. Your conferees on the surplus property bill were confronted with the Senate stock pile amendment, and we fought over it for a week or more. The Government is going to have a tremendous stock pile because under the provisions of the surplus property bill it is going to be required to keep those materials. We were able to get a provision that if it developed that there was not sufficient copper and aluminum for private industry, then a certain amount could be disposed of by the Government. But otherwise, under the surplus property bill, it freezes everything that we have. You cannot dispose of it. It was a provision in favor of the trusts.

Mr. WOLCOTT. I believe that there is a potential danger in stock piling which we cannot overlook, and unless and until the Congress adopts a policy in respect to the control of industry by Government and the flow of raw materials to industry, then of course we should not adopt any such language as is contained in this bill. The mine owners do not have any vested right to continue to mine for another year and expect the Government to take the entire output of those mines at a stipulated price any more than the automotive industry has a vested right to have its contracts for trucks and tanks continued for a year following, perhaps, the end of the war. Just to exaggerate perhaps a little bit to bring out the point, the so-called Detroit Tank Arsenal operated by the Chrysler Corp. is in my district. The Chrysler people have just as much right to insist that they continue to make tanks until June 30, 1946, as the miners of copper, lead, and zinc have to continue to operate their mines at a capacity far beyond both our military or governmental and civilian needs. But there was no opportunity whatsoever to confer on the question.

I have suggested that perhaps it would overcome all of the objections by the mine owners and miners if we agreed that these premiums should not be canceled unless, perhaps, 60 or 90 days was given to them so that they would have a reasonable opportunity to readjust their production to fit into postwar needs. We cannot hope to have a sound reconversion program if we are going to be faced with the constant necessity of protecting particular elements of our economy

because, of course, the one will completely offset the other. It was necessary to get this conference report back to the Senate and the House because, as you all know, the millers were right up against the deadline on flour. They have to have this legislation if the people are going to have bread. So we were confronted with this peculiar situation whether we should take the responsibility of granting these subsidies to the food industry which would enable them to get sufficient supplies to our armed forces and civilians, or to put up a fight on this very fundamental question.

I do not think that the food question is any more important than the adoption of this governmental policy. We would have an opportunity to correct the food subsidy provisions of the bill but apparently cannot correct the mistake which was made in respect to metals. We saw no opportunity whatsoever to do the job here on the floor which we would have otherwise done and which according to our obligation as Members of this body we should do.

Another provision which has been touched upon by the chairman of the committee is in respect to review of the proceeding whereby certain of the subsidies may be recaptured. The language as it left the House provided very simply that where a slaughterer had received a subsidy on a certificate which he filed and it appeared later on the Director of Economic Stabilization decided he had not used good faith in applying for the subsidy, the Director of Economic Stabilization could recapture that subsidy either by suing him for it or deducting it from any future subsidies which might accrue to the slaughterer. The point was that we gave the Economic Stabilization Director unlimited power to determine questions which are usually determined in a court of equity. It gave the Economic Stabilization Director exclusive power and authority to determine whether this slaughterer had or had not used good faith and opened the door wide open to discrimination. It was thought by some of us that even the Director of Economic Stabilization should be protected against that charge. So the gentleman from New Jersey [Mr. SUNDBROM] offered an amendment in our committee, which was adopted on the floor, providing for a court proceeding in the recapture of the subsidies.

The section which he offered was stricken in conference but a proviso was added to the bill which I believe in substance does about the same thing as the Sundstrom amendment did, or at least it is intended to do the same thing. It provides, if an issue is joined between the slaughterer and the Director of Economic Stabilization on whether or not the slaughterer used good faith in applying for the subsidy, the matter may be certified to the Emergency Court of Appeals and the question determined there, so that the Economic Stabilization Director will not have the final word on whether good faith was used or not.

The SPEAKER. The time of the gentleman from Michigan has expired.

Mr. SPENCE. Mr. Speaker, I yield 3 minutes to the gentleman from Arizona [Mr. MURDOCK].

(Mr. MURDOCK asked and was given permission to revise and extend his remarks.)

Mr. MURDOCK. Mr. Speaker, I take these few minutes to commend the conferees on this report. In my judgment, it is a good report. Of course, it is not entirely to my liking. I would have been glad to extend the subsidies to the critical and strategic minerals and metals for 2 years. However, I am glad to accept the Senate amendment with the provision striking out the cancellation clause. I have all along urged that the small mine operators should not be subjected to the threat of cancellation on short notice.

I cannot agree at all with my friend the gentleman from Pennsylvania [Mr. RICH] in regard to his opposition to this matter of subsidies. He does not want to pay this amount of money "out of an empty Treasury." Would he like to pay very much more out of an emptier Treasury or lose the war?

Let us look into this matter for a moment. During the First World War, taking copper as an illustration, the price of copper rose to at least 35 cents per pound. There is no doubt in my mind but that if the law of supply and demand had been allowed to operate freely in this war it would have done the same or more in regard to copper at this time. But the price of copper was stabilized or was pegged at 12 cents a pound. A premium has been granted to certain high-cost producers up to as much as 17 cents a pound so as to bring out the needed production. But that has not meant that all copper produced brought 17 cents a pound, not by any means. The higher price applies only to that over and above prewar production. I argued in favor of permitting it to go higher than 17 cents a pound. I thought we could have brought up the domestic production still more if that had been done. But it was not done. However, the plan we used has saved the American taxpayers and limited the national debt untold millions.

I do know that production has been increased because we permitted a premium to be paid on the vitally needed war minerals and metals. Now this war is not over yet. Who knows how long it will be before it is over? We cannot count out the bullets to the last man until the last Jap is killed. We ought to play safe in regard to this matter of strategic war materials. The conferees have helped very much by retaining the Senate provision of noncancellation within the year covered by the measure. This removal of the possibility of cancellation will reassure many a doubtful small mine operator and enable him to go ahead with the war effort in safety.

I tell you the miners in my State and all through the West have had a sword of Damocles hanging over their heads in that these premium payments might be canceled, and if they cannot plan they will not produce. You must

have time to plan in mining. A mining man must know more than 60 or 90 days in advance about his price. Therefore I commend the conferees on retaining this provision put in by the Senate.

No amount of argument about the law of supply and demand and the evils of subsidy payments as applied to peacetime can have any effect upon my mind when I regard these wartime conditions. The subsidy program has saved the Government untold millions of dollars, and it is retained in this measure for at least 1 year.

I approve of the committee conference report.

The SPEAKER. The time of the gentleman from Arizona has expired.

Mr. SPENCE. Mr. Speaker, I yield 3 minutes to the gentleman from Illinois [Mr. SABATH].

Mr. SABATH. Mr. Speaker, in the hope of preventing inflation and holding down the cost of living to the masses, and especially to the white-collar workers, I have supported and voted in favor of the payment of subsidies.

In view of existing conditions I shall reluctantly vote for this bill which authorizes the payment of subsidies in the amount of \$1,363,000,000—specifically—meat, \$595,000,000; butter, \$100,000,000; flour, \$190,000,000; petroleum and petroleum products, \$290,000,000; copper, lead, and zinc, in the form of premium payments, \$88,000,000; other materials and products, \$100,000,000.

Notwithstanding the tremendous sums that we are doling out to these industries hardly a day passes when they and many others appear in force before the Office of Price Administration and demand higher and higher, and still higher ceilings on all of their products, and agriculture is presently receiving prices for most of its products far above parity. I think it was the gentleman from Michigan who stated that the millers are in dire need of subsidies because of the increased price of grains that are already, as I have stated, way above parity prices. I am inclined to agree with him because the departments and agencies having jurisdiction in this matter have failed in their duty. Oh, yes, I am informed that complaints have been filed against the General Foods Corp. and three or four manipulators and brokers who, through their manipulations, have succeeded in cornering rye and have boosted the price of that commodity so that today it is priced at \$1.46 per bushel, 30 cents above the price of corn which, I am informed has a 30 percent greater food value.

The reports of the Department of Agriculture indicate a tremendous crop of wheat and corn to such extent that some of it is deteriorating because of lack of storage facilities and shipping accommodations, and the news reports are to the effect that the farmers are worried. Notwithstanding this high current production of wheat and corn, saying nothing of the existing surpluses of these two commodities carried over from last year, the Commodity Credit Corporation has bought four and one-half million bushels

of rye for overseas shipment. This purchase was made, I understand, upon the urgent pressure of those who have cornered the rye market and who control from 80 to 90 percent of the quantity of rye now on hand. Naturally the millers need a subsidy because when, in 1942 and 1943, this combination began cornering the market, the price of rye was 65 cents per bushel. Consequently, I agree with the gentleman that the millers, in view of the ever-increasing cost of grain, far above parity, must have a subsidy to continue in operation. While the same conditions do not apply to other industries, however, I suggest that before a subsidy is given them that they first prove that they are needed to enable them to operate at a fair profit. Yes, I am in favor of subsidy payments, but I feel that not a penny of these millions of dollars should be paid where it is not shown that profits have been less in the years from 1939 to 1942. This, I am sure, they cannot prove, as their profits have been enormous, and still, in their avariciousness, as I have stated, they are in Washington every day to demand higher ceilings, notwithstanding the payments of these tremendous subsidies.

Mr. Speaker, as soon as time will permit, I shall demand a report of the profits of these industries in 1944 and for the first 5 months of 1945. I feel I will be able to prove in many instances, when the true facts are known, that they are obtaining subsidies to which they are not entitled. Further, I shall demand a copy of the hearings held before the Commodity Credit Corporation on the basis of which they have been granted these subsidies and shall ascertain the reasons for the issuance of certain statements by that agency and the War Food Administration by which manipulators have succeeded in boosting prices and manipulating the markets. It is also my purpose to learn why the investigation was delayed and why action was not commenced long before this time, which has given these manipulators from 30 to 40 days to continue in their manipulations.

The SPEAKER. The time of the gentleman from Illinois has expired.

(Mr. SABATH asked and was given permission to revise and extend his remarks.)

Mr. SPENCE. Mr. Speaker, I yield 3 minutes to the gentleman from Nebraska [Mr. MILLER].

(Mr. MILLER of Nebraska asked and was given permission to revise and extend his remarks.)

Mr. MILLER of Nebraska. Mr. Speaker, the conference report which we are now considering calls for subsidies on rubber, rubber products, meat, butter, flour, petroleum products, copper, lead, and zinc. It also provides a blank check of a hundred million dollars which may be used for other materials and commodities.

Mr. Speaker, with the advent of war, a new policy was adopted by this administration. It is the policy of paying subsidies. We paid subsidies on copper, lead, and zinc previous to the war, but the subsidies upon meat, butter, flour, and petroleum are new ventures into the field of subsidies.

Subsidies act much like a narcotic. They are habit-forming. This House has increased from time to time, at the request of the administration, the amount and scope of subsidies. We even provide a hundred million dollars in this bill to give a little more opiate in the form of subsidies.

Some of these subsidies were perhaps necessary during war but I would call the attention to the House to the fact that when the subsidies upon meat, butter, and flour were adopted, it was said that this would reflect a higher price to the producer. These subsidies have been, and are, a consumer subsidy. We are paying a part of the grocery bill of everyone in the country; doing it at a time when they have more than a hundred billion dollars in their pockets. They have more money now than at any other time in the history of this Nation.

The proponents of subsidies maintain that it prevents inflation. Well, if paying a billion and a half dollars for subsidies, which will require two billion in taxes from our children, is controlling inflation, then I fail to comprehend what they mean by inflation. Inflation is here now because we have so much money in our pockets and little to buy. The OPA is trying to control some of the symptoms of inflation much like an anesthetic or an opiate would do. The money provided in this bill is a part of that anesthetic or opiate.

The money paid to slaughterers for AA beef amounts to \$3.40 above the \$18 ceiling on that beef. We also expect to pay a 50-cent subsidy to the feeder of cattle. In other words, a \$3.90 subsidy. This would make AA beef \$21.90. Now, Mr. Speaker, if beef was permitted to go to \$21.90, removing all subsidies, it would not take long until the cattle producer's would be flooding the market with good beef. It would not be necessary for the consumer to patronize the black market. The OPA fails to understand that with more cattle in the country than ever before, these cattle plus feed plus a reasonable price means meat. They prefer to have rules and regulations, changing them in the middle of the feed lot, and thus discourage the production of meat.

I submit, Mr. Speaker, that the time is not far off when this war is over that we must do something about subsidies. The dairy men in the country were opposed to subsidies on milk and butter, but now that they have been receiving them it would be difficult to discontinue them without upsetting the economics of the dairy business. Sooner or later prices must be permitted to find their own level. Subsidies should be discontinued. It takes an army of individuals to operate the subsidy program. It is an instrument of this New Deal administration. It is not good Americanism.

The subsidies being guaranteed to the producers of copper, lead, and zinc in a form of a premium payment guarantee this segment of industry a price for a year after the war and at a time when we may have large surpluses of these materials. Is it the considered judgment of this House that we should underwrite the mining industry to give

them a subsidy for producing at a time when we may have huge surplus stock piles of these minerals?

I repeat, Mr. Speaker, that the subsidy program acts like a habit-forming narcotic. It cannot be stopped with a stroke of the pen. If it is continued after this war is over, we may expect such a program to regiment, blueprint, and make the citizen do a physical, mental, ritualistic goose-step with the tune being played in Washington.

The SPEAKER. The time of the gentleman from Nebraska has expired.

Mr. SPENCE. Mr. Speaker, I move the previous question.

The previous question was ordered.

The SPEAKER. The question is on agreeing to the conference report.

Mr. SPENCE. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 255, nays 52, not voting 125, as follows:

[Roll No. 111]

YEAS—255

Abernethy	Elsaesser	Lea
Allen, Ill.	Elston	LeCompte
Allen, La.	Engel, Mich.	Lemke
Andersen	Engle, Calif.	Lesinski
H. Carl	Ervin	Luce
Anderson, Calif.	Fallon	Lyle
Andrews, N. Y.	Feighan	Lynch
Angell	Fenton	McDonough
Arnold	Fernandez	McGehee
Barrett, Wyo.	Fisher	McGlinchey
Bates, Ky.	Flannagan	McKenzie
Beall	Fogarty	McMillan, S. C.
Beckworth	Folger	McMillen, Ill.
Bell	Forand	Madden
Bennett, Mo.	Fulton	Mahon
Biemiller	Gallagher	Maloney
Blackney	Gardner	Manasco
Bland	Gary	Mansfield,
Bolton	Geelan	Mont.
Bonner	Gibson	Mansfield, Tex.
Boykin	Gillespie	Marcantonio
Brehm	Gillette	Marrow
Brooks	Gillie	Michener
Brown, Ga.	Gordon	Miller, Calif.
Brown, Ohio	Gossett	Mills
Bryson	Green	Monroney
Bulwinkle	Gregory	Morgan
Bunker	Griffiths	Morrison
Burch	Hale	Mott
Burgin	Hare	Murdock
Butler	Harless, Ariz.	Murphy
Camp	Harris	Murray, Wis.
Campbell	Havenner	Neely
Canfield	Hays	Norrell
Cannon, Mo.	Healy	Norton
Carnahan	Hébert	O'Brien, Ill.
Case, N. J.	Hedrick	O'Brien, Mich.
Case, S. Dak.	Hendricks	O'Hara
Chenoweth	Henry	O'Konski
Church	Hess	O'Neal
Clark	Hill	Outland
Cochran	Hinshaw	Patman
Cole, Mo.	Hoch	Patrick
Colmer	Hoeven	Peterson, Fla.
Combs	Hook	Pickett
Cooper	Hope	Pittenger
Courtney	Horan	Powell
Cox	Howell	Powers
Crawford	Huber	Price, Fla.
Crosser	Hull	Prlest
Cunningham	Izac	Quinn, N. Y.
D'Alesandro	Jackson	Rabin
Daughton, Va.	Jennings	Rains
Delaney,	Johnson,	Ramspeck
James J.	Lyndon B.	Reece, Tenn.
Dickstein	Johnson, Okla.	Rees, Kans.
Dingell	Jonkman	Resa
Dirksen	Judd	Riley
Dolliver	Kearney	Rizley
Domengeaux	Keefe	Robertson,
Dondero	Kelly, Ill.	N. Dak.
Doughton, N. C.	Kerr	Robertson, Va.
Douglas, Calif.	Kilday	Robinson, Utah
Douglas, Ill.	King	Robison, Ky.
Doyle	Kirwan	Rockwell
Drewry	Knutson	Roe, Md.
Dworshak	Koppelman	Rogers, Fla.
Eberharter	Lane	Rogers, Mass.
Elliott	Larcade	Rogers, N. Y.
Ellsworth	Latham	Rooney

Rowan	Stockman	Vursell
Ryder	Sullivan	Wadsworth
Sabath	Summers, Tex.	Walter
Sadowski	Talbot	Wasielewski
Sasser	Talle	Weaver
Savage	Tarver	Welch
Schwabe, Okla.	Taylor	Welch
Slaughter	Thom	Whittington
Smith, Maine	Thomas, Tex.	Wickersham
Snyder	Thomason	Wilson
Somers, N. Y.	Tibbott	Winstead
Sparkman	Tolan	Wood
Spence	Torrens	Woodhouse
Springer	Traynor	Woodrum, Va.
Starkey	Trimble	Worley
Stevenson	Vinson	Zimmerman
Stigler	Voorhis, Calif.	

NAYS—52

Arends	Halleck	Poage
Auchincloss	Hand	Rankin
Bates, Mass.	Harness, Ind.	Reed, N. Y.
Bishop	Heseltun	Rich
Buck	Hoffman	Schwabe, Mo.
Buffett	Jenkins	Scrivner
Byrnes, Wis.	Jensen	Shafer
Chapfield	Johnson, Ill.	Smith, Wis.
Clevenger	Kean	Sundstrom
Cole, N. Y.	Kinzer	Taber
Ellis	Kunkel	Thomas N. J.
Fuller	Lanham	Vorys, Ohio
Gamble	LeFevre	West
Gearhart	McCowen	Wigglesworth
Goodwin	Martin, Mass.	Wolcott
Graham	Mason	Woodruff, Mich.
Gross	Miller, Nebr.	
Gwinn, N. Y.	Phillips	

NOT VOTING—125

Adams	Flood	McGregor
Anderson, N. Mex.	Gathings	Martin, Iowa
Andresen, August H.	Gavin	May
Andrews, Ala.	Gerlach	Mundt
Bailey	Gifford	Murray, Tenn.
Baldwin, Md.	Gore	O'Toole
Baldwin N. Y.	Gorski	Pace
Barden	Granahan	Patterson
Barrett, Pa.	Granger	Peterson, Ga.
Barry	Grant Ala.	Pfeifer
Bender	Grant, Ind.	Philbin
Bennet, N. Y.	Gwynne, Iowa	Ploeser
Bloom	Hagen	Plumley
Boren	Hall	Price, Ill.
Bradley, Mich.	Edwin Arthur	Rabaut
Bradley, Pa.	Hall	Ramey
Brumbaugh	Leonard W.	Randolph
Buckley	Hancock	Rayfiel
Byrne, N. Y.	Hart	Reed, Ill.
Cannon, Fla.	Hartley	Richards
Carlson	Heffernan	Rivers
Celler	Herter	Rodgers, Pa.
Chapman	Hobbs	Roe, N. Y.
Chelf	Holifield	Russell
Clason	Holmes, Mass.	Sharp
Clements	Holmes, Wash.	Sheppard
Coffee	Jarman	Sheridan
Cole, Kans.	Johnson, Calif.	Short
Cooley	Johnson, Ind.	Sikes
Corbett	Johnson	Simpson, Ill.
Cravens	Luther A.	Simpson, Pa.
Curley	Jones	Smith, Ohio
Curtis	Kee	Smith, Va.
Davis	Kefauver	Stefan
Dawson	Kelley, Pa.	Stewart
De Lacy	Keogh	Sumner, Ill.
Delaney	Kilburn	Towe
John J.	LaFollette	Weiss
Durham	Landis	White
Earthman	Lewis	Whitten
Eaton	Link	Winter
Fellows	Ludlow	Wolfenden, Pa.
	McConnell	Wolverton, N. J.
	McCormack	

So the conference report was agreed to.
The Clerk announced the following pairs:

On this vote:

Mr. McCormack for, with Mr. Brumbaugh against.

Mr. Randolph for, with Mr. Rodgers of Pennsylvania against.

Mr. Ramey for, with Mr. Simpson of Pennsylvania against.

General pairs:

Mr. Holifield with Mr. Martin of Iowa.

Mr. Rabaut with Mr. Stefan.

Mr. Sheppard with Mr. Johnson of Indiana.

Mr. Jarman with Mr. Grant of Indiana.

Mr. Whitten with Mr. Ploeser.

Mr. Pace with Mr. Clements.
Mr. Hobbs with Mr. Short.
Mr. Price of Illinois with Mr. August H. Andresen.

Mr. Sikes with Mr. Herter.
Mr. Cooley with Mr. Baldwin of New York.
Mr. Durham with Mr. Jones.
Mr. Bloom with Mr. Holmes of Washington.

Mr. Curley with Mr. Edwin Arthur Hall.
Mr. Roe of New York with Mr. Simpson of Illinois.

Mr. Link with Mr. Hagen.
Mr. Keogh with Mr. Carlson.
Mr. Chelf with Mr. Kilburn.
Mr. Heffernan with Mr. Clason.
Mr. Peterson of Georgia with Mr. LaFollette.
Mr. Coffee with Mr. Mundt.
Mr. O'Toole with Mr. Curtis.
Mr. Byrne of New York with Mr. Bennet of New York.

Mr. Pfeifer with Miss Sumner of Illinois.
Mr. Cannon of Florida with Mr. Fellows.
Mr. Cravens with Mr. Smith of Ohio.
Mr. Buckley with Mr. Reed of Illinois.
Mr. Gathings with Mr. Eaton.
Mr. Celler with Mr. McGregor.
Mr. Barrett of Pennsylvania with Mr. Lewis.

Mr. John J. Delaney with Mr. Corbett.
Mr. Baldwin of Maryland with Mr. Bradley of Michigan.

Mr. Gorksi with Mr. Adams.
Mr. Philbin with Mr. Holmes of Massachusetts.

Mr. Rayfiel with Mr. Gifford.
Mr. Sheridan with Mr. Plumley.
Mr. Chapman with Mr. Leonard W. Hall.
Mr. Hart with Mr. Wolverton of New Jersey.
Mr. Granahan with Mr. Gwynne of Iowa.
Mr. Kefauver with Mr. Winter.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

FOOD INVESTIGATION COMMITTEE

Mr. BULWINKLE. Mr. Speaker, I present a concurrent resolution (H. Con. Res. 63) from the Committee on Printing and ask for its immediate consideration.
The Clerk read the resolution, as follows:

Resolved by the House of Representatives (the Senate concurring), That, in accordance with paragraph 3 of section 2 of the Printing Act, approved March 1, 1907, the Special Committee of the House of Representatives Designated to Investigate Food Shortages be, and is hereby, authorized and empowered to have printed for its use 5,000 additional copies of parts 1 and 2 of the hearings held before said committee during the current session.

The resolution was agreed to.

EXTENDING THE TERMINATION DATE UNDER THE RENEGOTIATION ACT

Mr. DOUGHTON of North Carolina. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the further consideration of the bill (H. R. 3395) to extend through December 31, 1945, the termination date under the Renegotiation Act.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the further consideration of H. R. 3395, with Mr. ZIMMERMAN in the chair.

Mr. DOUGHTON of North Carolina. Mr. Chairman, will the Chair inform me how the time stands?

The CHAIRMAN. The gentleman from North Carolina has 13 minutes re-

maining, the gentleman from Minnesota, 33.

Mr. REED of New York. Mr. Chairman, I yield 1 minute to the gentleman from North Dakota [Mr. LEMKE] to make an announcement.

Mr. LEMKE. Mr. Chairman, I wish to announce that tonight at 7:30 o'clock in the Ways and Means Committee room will be held a meeting of Members of Congress who are interested in the food and meat shortage. Every Member interested in this vital problem ought to attend this meeting tonight.

Mr. BROWN of Ohio. Mr. Chairman, will the gentleman yield?

Mr. LEMKE. I yield.

Mr. BROWN of Ohio. It is entirely possible, of course, that some Members have other engagements that will prevent their attendance, yet they are interested, and their lack of attendance should not be ascribed to lack of interest.

Mr. LEMKE. I shall be delighted to remember that and to say to the gentleman that we are fully aware that many Members who are interested will not be able to attend, but I may say to them that we are interested in getting their views at any time before the OPA bill comes up on the floor of the House.

Mr. BROWN of Ohio. And the gentleman will agree, of course, that their absence does not necessarily mean that they are not interested.

Mr. LEMKE. I happen to know that from my own experience.

Mr. REED of New York. Mr. Chairman, I yield 15 minutes to the gentleman from Illinois [Mr. CHURCH].

Mr. CHURCH. Mr. Chairman, I have been consistently opposed to the renegotiation law. "It is," as a former Chairman of the War Department Price Adjustment Board publicly testified last year before the Ways and Means Committee, "a dangerous and un-American statute." While the amendments embodied in the revenue bill for 1943, improved the renegotiation law, its basic evils remains and it is no less un-American.

During the last Congress—on November 24, 1943—when we had before us the proposed amendments to the 1942 Renegotiation Act, I stated "such a law should never have been placed on our statute books" and expressed the personal conviction that "if given the opportunity this House would vote its complete repeal." We were not given that opportunity, because the rule under which the bill was debated precluded any amendments being offered.

I have not changed my position. On the contrary, I have been strengthened in my conviction by time and events, and further strengthened by the information I have been able to obtain personally from accountants and lawyers who have had experience with the renegotiation processes.

The ostensible purpose of renegotiation is to prevent war profiteering, to prevent the realization of unconscionable profits. The law itself uses the term "excessive profits." No one has satisfactorily explained how, after payment of a 90-percent excess-profits tax or the corporate tax over-all limitation of 80 percent, a company may become a war

profiteer or have realized excessive profits. The Chairman of the War Contracts Price Adjustment Board presented rather imposing figures of the renegotiation refunds, but the figures are misleading. It should be borne in mind that, in general, approximately 80 percent of the money recovered through renegotiation would be recovered through taxation. It is pure nonsense to contend that American business generally can realize unconscionable profits out of the war when 90 or 80 cents out of every dollar of profit is paid to the Government in the form of taxes.

We should view the renegotiation law for what it is and not for what it has been represented to us to be. We may have originally intended it to be a measure for the elimination of excessive war profits; but at that time the excess-profits tax had not been enacted. Moreover, those in charge of the administration of the law have lost sight of its true purpose and have arrogated to themselves the right to say what is, in their judgment, a proper profit on a given year's operations.

You may say I am making a distinction without a difference, so to speak. Not at all. There is quite a difference in approach when you seek to determine what is truly excessive, in the full sense and meaning of the word "excessive" than when you seek to determine what profit is reasonable. Congress did not intend that renegotiation serve to determine what profits are reasonable. If we had we would have used the term. Nor did we say that the purpose of renegotiation is to eliminate unreasonable profits. We used the term "excessive profits." We meant "excessive profits" and not "unreasonable profits," as the renegotiators have construed the law.

If you would take the time, as I have, to interview some of your friends who are accountants or lawyers who have handled several renegotiations before the price-adjustment boards, you will get a clearer conception of what renegotiation really represents than otherwise obtainable. They will be able to give you specific illustrations of how the renegotiators have set themselves up as judges of what represents a "reasonable profit" rather than what represents an "excessive profit," as the law intends. This difference of approach has resulted in many companies having to make refunds which amount to only a few thousand dollars, which from the point of view of the company was important to its financial position and which, by no stretch of the imagination, could be considered excessive. It has also had the effect of penalizing rather than rewarding the low-cost quality producer.

The proponents of renegotiation place great stress on it having the merit of elasticity. I agree that the powers delegated under the law are practically without limit. But what merit there is in the elasticity of judgment given the renegotiators is entirely lost in the manner in which the law has been administered. The Special Committee Investigating the National Defense Program made a study of renegotiation and pointed out that it is impossible to recover every last dollar of excessive war profits without unnec-

essarily interfering with war production. The committee warned against overzealous administration and criticized the boards for so narrowing the margins of profit allowed, being too strongly influenced by a desire to achieve the same kind of mathematical exactness, that the efficient low-cost producer was not substantially rewarded over poor producers.

The statement found on page 221 of the hearings of the Committee on Ways and Means on this bill to extend the termination date of renegotiation, representing a typical comment of renegotiation is worth quoting:

We happen to be the low-cost producer out of four others doing a similar job, and because of the Government's percentage-of-profit thinking, they are trying to take away dollars from us on account of having done a good job. In other words, we could do a poorer job and make more money than they are now willing to grant us after doing a good job well below the next lowest supplier. The threat always is that unless we accept these lower percentage-wise gross profits they could force us to do so under section 801 of the act.

It is my contention that the renegotiation law is not what it has been represented to us as being and it is my contention that it should be repealed effective as of December 31, 1944.

The Renegotiation Act of 1943 provided for the termination of renegotiation as of December 31, 1944, but gave the President the authority to extend it 6 months. Pursuant to that authority, on November 14, 1944, the President issued a proclamation extending the termination date to June 30, 1945. The pending bill provides for a further extension of the termination date to December 31, 1945.

The most persuasive argument that can be advanced for extension of the termination date to December 31, 1945, is that most companies operate on a calendar-year basis, and it would be extremely difficult to renegotiate only 6 months of operations, and, most important, it would result in many inequities, inasmuch as many companies are likely to operate a profit during the first 6 months but have a loss, or at least a reduced profit, during the last 6 months, because of the cut-backs and war-production terminations. For this reason I would favor the proposed extension rather than leave the termination date as of June 30, 1945.

But, Mr. Chairman, the more practical and more sensible approach to the question is not to provide for the 6 months' extension proposed by this bill, but rather to enact legislation for the repeal of the President's proclamation providing for the first extension to June 30, 1945, thereby terminating renegotiation as of the end of 1944. Since the President's proclamation was issued the war in Europe has ended, and it is now evident that war production will be substantially reduced. We are now face to face with reconversion problems, where a great part of American industry will experience sudden drops in volume but unavoidably have continuing costs. The future of American business depends upon its having sufficient

working capital to make the transition from war production to civilian production. To continue renegotiation beyond 1944 under these circumstances is to obstruct rather than facilitate the trying transition to normalcy.

According to the information presented to the Committee on Ways and Means, the price-adjustment boards have only begun to renegotiate 1944 business. No cases involving 1945 business resulting in a refund have been completed. I have been advised by the Chairman of the War Contracts Price Adjustment Board that up to June 8, 1945, there were no completion of assignments for 1945 fiscal years "other than six cancellations." In other words, for the 1945 fiscal year to date there are nothing but cancellations of assignments. To terminate renegotiation as of December 31, 1944, would certainly not create any administrative problems or result in any inequities. On the contrary, such action would be a distinct contribution on our part for our boys returning home for employment. Let me remind you that the renegotiation law does not provide for the allowance of postwar reconversion reserves, which American business so strongly urged be allowed when the Renegotiation Act of 1943 was under consideration.

I hope the opportunity will be presented to this House to decide whether renegotiation should be terminated as of December 31, 1944, or December 31, 1945. Given such an opportunity, I hope that Congress will decide upon the 1944 date. Without such opportunity, we have, of course, no alternative in fairness to American business but to extend the termination date from June 30, 1945, to December 31, 1945.

(Mr. CHURCH asked and was given permission to revise and extend his remarks.)

Mr. REED of New York. Mr. Chairman, I yield 5 minutes to the gentleman from California [Mr. HINSHAW].

Mr. HINSHAW. Mr. Chairman, we have been talking about renegotiation of contracts which evidently or apparently are of an excessive price nature and consequently recapture of the excess profit should be had by the American people. I would like to talk briefly about the other end of this business which is the renegotiation upward of contracts that are patently too low.

It was my duty some months ago to become engaged in assisting a subcontractor representing a small industry in my district to attempt to obtain a renegotiation upward. I would like to call your attention to what this man had to go through. He had received a subcontract from a very large prime producer. The article which he was required to make for this prime producer was one which the prime producer himself recognized he was unable to make. He did not tell anybody that he was unable to manufacture it but he simply went out to find a subcontractor. Nobody knew what the article would cost. It was a very complicated piece of machining and metallurgical operation. A suggested price was made to this unwitting little company in my district. They took the

[PUBLIC LAW 88—79TH CONGRESS]

[CHAPTER 193—1ST SESSION]

[S. 502]

AN ACT

To permit the continuation of certain subsidy payments and certain purchase and sale operations by corporations created pursuant to section 5d (3) of the Reconstruction Finance Corporation Act, as amended, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the last paragraph of section 2 (e) of the Emergency Price Control Act of 1942, as amended by the Stabilization Extension Act of 1944, shall not apply, with respect to operations for the fiscal year ending June 30, 1946, to corporations created or operations authorized to be performed pursuant to section 5d (3) of the Reconstruction Finance Corporation Act, as amended: *Provided*, That with respect to such corporations and such operations the making of subsidy payments and buying for resale at a loss shall be limited as follows:

(a) Payments or purchases may be made after June 30, 1945, in such amounts as may be necessary to fulfill obligations incurred prior to July 1, 1945, with respect to 1945 and prior fiscal year activities.

(b) Payments and purchases may be made with respect to operations for the fiscal year ending June 30, 1946, which involve subsidies and anticipated losses as follows:

(1) With respect to materials or commodities, other than rubber and rubber products, produced outside the United States, in an amount not to exceed \$80,000,000;

(2) With respect to rubber and rubber products produced outside the United States, in an amount not to exceed \$60,000,000;

(3) With respect to materials or commodities produced within the United States, as follows:

(A) Meat in an amount not to exceed \$595,000,000;

(B) Butter in an amount not to exceed \$100,000,000;

(C) Flour in an amount not to exceed \$190,000,000;

(D) Petroleum and petroleum products in an amount not to exceed \$290,000,000;

(E) Copper, lead, and zinc, in the form of premium payments, in an amount not to exceed \$88,000,000; and

(F) Other materials or commodities in an amount not to exceed \$100,000,000:

Provided, That in the event the entire amount of any of the above allocations is not required for its purpose, the unused portion of such allocation, but not to exceed 10 per centum of such allocation, may be used for making such payments on and purchases of any other item or items enumerated in this Act, as may be determined by the Director of Economic Stabilization: *Provided further*, That the premium price plan for copper, lead, and zinc shall be extended until June 30, 1946, on the same terms as heretofore, except that all classes

of premiums shall be noncancelable unless necessary in order to make individual adjustments of income to specific mines; and that the Metals Reserve Company shall purchase during the fiscal year ending June 30, 1946, at its 1944 price schedule, bauxite produced from such of the underground mines as supplied bauxite to the Metals Reserve Company during 1944 and in such quantities as the Bureau of Mines determines as being subject to permanent loss if not removed prior to June 30, 1946, but not to exceed, however, five hundred thousand long tons.

SEC. 2. Any slaughterer who heretofore or hereafter shall have received extra compensation payments under Livestock Slaughter Payments Regulation Numbered 3 of Defense Supplies Corporation (adopted pursuant to directives of the Director of Economic Stabilization) when such slaughterer was not in a class eligible for such extra compensation payments, shall be relieved, in whole or in part, of obligation to repay the amount thereof and shall be entitled to receive, in whole or in part, the amount of such extra compensation payments repaid by such slaughterer to, or withheld by Defense Supplies Corporation on account of such extra compensation payments, to the extent that it is determined by the Director of Economic Stabilization, or any agency of the Government authorized by him, that it would be inequitable for Defense Supplies Corporation to require repayment by such slaughterer or to retain the amounts so repaid or withheld, provided such Director or agency also determines that such slaughterer believed reasonably and in good faith that he was eligible to receive such extra compensation payments: *Provided*, That any determination by such Director or agency under this section shall be reviewable by the Emergency Court of Appeals under such rules as such court may prescribe.

Approved June 23, 1945.

JUNE 23, 1945

STATEMENT BY THE PRESIDENT

I have signed S. 502, a bill "to permit the continuation of certain subsidy payments and certain purchase and sale operations by corporations created pursuant to section 5d(3) of the Reconstruction Finance Corporation Act, as amended, and for other purposes." This bill authorizes subsidy payments or purchases during the fiscal year 1946 in amounts necessary to meet obligations incurred in prior years and in addition sets maximum limits on subsidy payments and anticipated losses from 1946 operations.

I have signed this bill because continuance of these subsidy payments is essential to assure necessary war output and to provide support for the stabilization program.

I interpret it as the desire of Congress that these subsidies shall be paid only as long as, and to the extent necessary to secure needed war production under existing price ceilings. As opportunity permits, therefore, subsidy programs will be reduced or discontinued as rapidly as feasible within the limits of the present law. Due consideration will be given, of course, to the legitimate needs of producers and to the desirability of maintaining balance in our national and international procurement programs.

Administrative action to curtail copper, lead and zinc subsidies under the premium price plan would be prevented, however, during the fiscal year 1946 by the provision which makes all classes of such premiums non-cancellable during that year. If it becomes clear that continuance of these payments at present levels is no longer necessary for war purposes, I shall request enactment of supplemental legislation which would permit a reduction of such unnecessary subsidies. We must make sure that subsidies contribute to the essential purposes for which Congress authorized them.

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